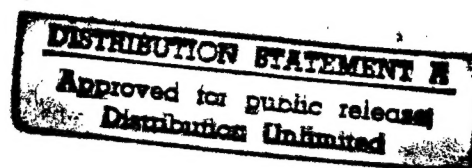


# ***JPRS Report***



# **East Europe**

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# East Europe

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15 October 1991

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### Definition of Rule-of-Law State Presented

91CH0910A Prague LITERARNI NOVINY in Czech  
5 Sep 91 pp 1, 3

[Article by Pavel Rychetsky: "Rule-of-Law State in Our Country"—first paragraph is LITERARNI NOVINY introduction]

[Text] In line with the prevailing professional view, the definition of rule-of-law state expresses the state's amenability to the laws of the land, the primacy of law over state. This is the well-known principle of the rule of law. But there are different concepts of how to realize this principle. Rebirth of the natural-law approach characterizes the basic trend. Its precondition has been especially the orientation of Civic Forum, formed after 17 November 1989 as the association of all the elements that had been the most active in opposing the totalitarian regime. The leading personalities behind Charter 77, who typically place ethical values above pragmatic political considerations, still have a perceptibly strong influence on Civic Forum's activity. The philosophy of J. Patocka and the principled standpoints of V. Havel are the foundation of that activity. The traditions of philosophical thinking associated with the name of T.G. Masaryk also are reviving and developing rapidly. Although differing in some of its specific features from the Western concepts of the inalienability and universal nature of human rights—these are the concepts that justify the international protection of human rights—our present natural-law thinking nonetheless is essentially in agreement with those concepts. The modes of juridical reasoning, which stem from the first republic's legal culture [the legal system's technical and moral standards], are another factor that must be taken into consideration.

Czechoslovakia lies in Central Europe, which is not merely a geographical phenomenon but also a cultural one, as Milan Kundera explained very precisely ten years ago, when he opened the debate on Central Europe. That, I believe, applies to legal culture as well.

Even in early modern times, the influence of natural-law doctrine was weaker in this geographic and cultural region than in West Europe. In the 20th century, an original contribution inscribed Czech legal thinking in the world history of the philosophy of law. F. Weyr, a professor of Masaryk University in Brno, formulated before World War I—earlier than Hans Kelsen, regarded as the founder of the "pure theory of law"—the basic ideas of the normativistic theory of law. From his theory there then developed an entire normativistic school that permeated all branches of contemporary law.

Criticism of legal positivism and normativism (identified in current debates as the extreme variant of positivism), which is associated with the rebirth of natural-law doctrine, is typical also of the contemporary theory of law in Czechoslovakia. If positivism and normativism are criticized for being unable to prevent a totalitarian system by formulating, for the purpose of enacting laws,

some comprehensive concept of just law, then that criticism is certainly warranted.

The ideology that dominated both lawmaking and the administration of laws under the totalitarian regime of the past 42 years was initially the Stalinist concept, and subsequently the neo-Stalinist one, accompanied by suppression of all other ideologies, normativism included. That dominant ideology was noted not only for enacting laws that gave the executive wide discretion, but also for the independent judiciary's actual liquidation. Interpretation of the law in cases affecting the interests of the ruling circles served those interests and often was not only *in fraudem legis* but also *primo contra legem*—i.e., against the law. Under a regime that was not totalitarian, and where either traditional legal doctrine or normativism governed the administration of laws, such interpretation would not have been possible.

Already now the natural-law approach is gradually dominating lawmaking in Czechoslovakia. But the relative absence at present of natural-law thinking among wider strata of jurists and the public necessarily influences the modalities. A definitive solution will require overcoming a purely positivistic or normativistic approach also in interpreting the laws that are in force. But this will not involve sweeping out the rules that prevent the departure of the law's interpretation and application from the laws that are in force, and which thus provide a measure of legal protection that only positive law can offer. This will involve a concept of the rule-of-law state in which natural-law and positive-law considerations mutually supplement, rather than mutually exclude, each other.

Discussion of the characteristic features of the factors that can influence further development would be very incomplete if we were to leave out the factors that are unfavorable from the viewpoint of creating a rule-of-law state. We have in mind tendencies more likely to be found in public opinion than in the thinking of politicians who influence the enactment of laws. After the degradation of our political and legal culture over a period of 40 years, the idea of democracy exists in the consciousness of people mostly in its oversimplified form. It is often associated merely with the concept of asserting the majority's will and subordinating the minority's will to it. On the questions of democracy, Marxist-Leninist doctrine—which as a whole is losing even the remnants of its former influence—had certain features in common with one of the directions of natural-law thinking, namely with Rousseau's theories regarding popular sovereignty and the formation of the general will. That is the source of the remnants of the former regime's ideology in their restructured form as influenced by the developments in the Soviet Union, including the illusory notions of direct democracy. The so-called general public debates the Communists organized on draft legislation are a good example of such remnants; but at the same time the Communists did away with the popular referendum as one of democracy's constitutional tools. The principle of the separation of powers, and the principle of judicial review—as parts of

the system of guaranteeing human rights and protecting the rights of individuals and minorities, as well as the equality of citizens, and without which there is no rule-of-law state—are not peculiar to that school of thought.

Evidently, the concrete constitutional solutions will be influenced by two tendencies rooted in cultural and political traditions.

On the one hand, a renaissance is offering itself of the political and legal institutions in the first Czechoslovak Republic's constitution; that is in accord with the growing revival of the first republic's traditions among jurists and the general public as well. In that sense we can partially speak of traditions common to Central Europe. This applies to certain institutions of Austrian origin, adopted by Czechoslovakia in 1918.

On the other hand, there is also a revival of our country's tradition to adopt or imitate concepts that have been tried and proven in the developed democracies.

So far as the type of legal culture is concerned, Central Europe is a part of Europe. Even so, there will be a return to a Europe that has changed considerably over the past 40 years. During the period of our forced relative isolation from the development of West European legal culture, the distinctions between the European continental and the Anglo-American types of system for making and administering laws have narrowed considerably. To link up with that process will certainly take some time, and the traditional, positivistic mode of thinking will necessarily influence the choice and construction of the legal safeguards for constitutionality and legality. At the level of the constitution and its application, however, it will already be necessary to adopt West Europe's new experience!

Let us now concentrate on guaranteeing human—i.e., civil and political—rights, which is a rule-of-law state's basic function and also the foundation of pluralistic democracy.

Evidently the concept of the "minimal state," which is based on the philosophy of natural law, applies especially in that context. It would also be possible to speak of a "minimalized state." This concept rejects as illegitimate those demands of the state that stem from any collectivistic ideology and thus exceed the interests pursued by individuals. In other words, this is the concept of the liberal state, in which power is transferred to the state by individuals. Such a state must serve objectives that are easier to achieve collectively, through the state, than individually. The regulations and institutions of such a state are legitimate to the extent that they clearly are the will of specific individuals. In our country the philosophical progenitors of the theory of the minimal state are Jan Patocka and Vaclav Belohradsky.

Regarding the question of how civil and political rights are regulated in constitutional law at present, the main problem is not the scope of the catalog of these rights in

the constitution. What matters primarily is the guaranteeing of these rights, particularly the safeguards and protection against abuse of power by the state.

The theory of the rule-of-law state offers as a guarantee a state organization under which an independent judiciary is called upon to provide comprehensive protection of these fundamental rights whenever state agencies infringe them. Therefore we assume that the first safeguard must be the institution of a constitutional court whose primary mission is to investigate whether laws abridge or deny human rights, in violation of the constitution. The Federal Constitutional Court, and the constitutional courts of the Czech and Slovak republic respectively are to be one of the main safeguards.

But a basic precondition for the reliable functioning of this safeguard is to establish in the constitution the limits of the fundamental rights. This problem has two main aspects:

1. The first aspect is the purely individualistic determination of the mentioned limits. For instance, the way it was done in France, in the Declaration of the Rights of Man and of the Citizen (issued on 26 August 1789). That declaration established the constitutional-law tradition of regulating fundamental rights in continental Europe. Its Article IV reads: "Liberty is the right to do anything which does not harm others. Thus, each man's natural rights are limited only by the necessity to assure equal liberty to others. Only the law can determine what restrictions must be made." Incidentally, the restriction of an individual's rights by the rights of others logically and necessarily follows from the very proclamation of those rights, even without explicit provisions in the constitution.

Here the limits of the rights stand out without any problem, and their safeguards can be applied quite readily. The constitutional court can determine without any difficulty whether laws infringe fundamental rights, in violation of the constitutional principle that all citizens have equal rights.

2. The difficulty, however, is that constitutions in general permit the restriction of fundamental rights to protect also certain nonindividual interests. Even in case of the mentioned "minimal-state" concept, the individual objectives that are to be achieved with the state's help cannot be defined very well any other way except as interests which transcend the individual, or as society's interests. Already the quoted famous French declaration of 1789 allows the law to proscribe "actions which harm society" (Article V). This is where the possible lability and uncertainty regarding fundamental rights begin.

In European law, which does not recognize the right of judges to create legal norms, it is possible to distinguish in the constitutions certain limits to fundamental rights, as developmental stages in the solution of this problem:

The first type of limit is peculiar to the democratic constitutions adopted on the European continent prior

to World War II. They include also the Czechoslovak constitutions of 1920 and 1948. Their distinguishing feature is that the constitution itself actually does not set any limits for some of the fundamental rights, but merely provides that such limits (or the manner of exercising the rights, or the conditions or details) must be determined by law.

But the fact that the constitution delegates the setting of the limits of fundamental rights to ordinary laws undermines the stability of such rights and hence weakens their legal guarantee.

This procedure starts out from the reasoning that, against an individual and relying on coercion, a state agency may or must do only what the law specifically authorizes it to do. In relation to the constitutional catalogue of the citizen's rights, of course, the *argumentum a contrario* does not apply that, in addition to the enumerated fundamental rights, also coercive state interventions in a citizen's behavior are permitted. A citizen has freedom of action, except for behavior that legal norms specifically proscribe. But when the constitution delegates the setting of the limits of the fundamental rights—i.e., the establishment of proscribed behavior—to ordinary laws, it thereby denies the citizen constitutional protection of his liberty, so that proclamation of the fundamental rights in the constitution becomes superfluous.

The presented reasoning, of course, is not entirely accurate. The constitution assumes that the law will determine merely the limits of those rights. It does not permit their complete avoidance. To that extent, perhaps, the constitution does offer the citizen some minimal protection of his liberty.

The second type of limit is the method used in the CSSR Constitution of 1960 which, especially in this respect, was influenced by the so-called Stalin Constitution, the USSR Constitution of 1936. Political rights—namely, freedom of expression or freedom of speech and of the press, as well as freedom of assembly, and freedom of street processions and demonstrations—are guaranteed “in accordance with the interests of the working people.” In addition, the constitution states in general that the citizen's rights, freedoms and duties serve the “free, all-round development and self-assertion of the individual, and simultaneously also the strengthening and development of socialist society.”

Thus, with the help of vague concepts, the constitution defines the limits of fundamental rights. Up to now, of course, there has been no judicial review of constitutionality. As a result of the 1968 reform movement, legislation to establish a constitutional court was enacted, but the court itself was never set up. Under a totalitarian power structure, the practice of interpreting what was “in agreement with the interests of the working people” and what served “the strengthening and development of socialist society” defied any professional legal procedures.

Moreover, the constitution did not contain any provision entrusting solely to laws the determination of the specifics. In legislative practice it was considered proper to let the law delegate further to the administrative executory instructions the setting of the limits of fundamental rights. Consequently, not even the legislature's legal act ensured the protection of fundamental rights. Thus, the significance and guaranteeing of fundamental rights were degraded also formally. The regulation of certain political freedoms in separate laws consisted of abstract formulations similar to the constitution's provisions. But even certain executive instructions issued by ministers persisted in using those vague expressions which (in the absence of a system of administrative courts) enabled administrative agencies to interpret an instruction so broadly that they could practically avoid a fundamental right.

As the third type of continental thinking on limiting the individual's constitutional rights, there appeared after World War II a kind of constitutional regulation of fundamental rights that eliminates these traditional shortcomings. (The first one to do so was the Italian Constitution of 1946.) Although the constitution allows laws to set the limits of these rights, it also specifies in what sense or for what reasons the laws must set limits. Thus, the constitution provides greater stability and a stronger guarantee of these rights, because it thereby facilitates also judicial review of the laws' constitutionality.

The purpose of expanding this type of constitutional regulation, by enacting in January a charter of human rights as a constitutional law, was to help achieve that laws in the sphere of civil and political rights are derived from the constitution, instead of being original legislative acts; in other words, to ensure that such laws are enacted on the basis of the constitution, within its limits, and to implement it. But constitutional regulation of this type is not very suitable for all such rights. In the case of some rights, it would be very demanding, too detailed and complex.

Our present concept, unlike state socialism's legal positivism, does not perceive fundamental human rights as state mandates. In agreement with the natural-law approach, it declares the inalienability and universal nature of fundamental human rights. Their quality and validity, therefore, should not be confined within state borders; instead, they should provide also international protection.

Within a brief period of a few months, the CSFR has become a member of the Council of Europe and, simultaneously with enacting the Charter of Rights and Freedoms, also a signatory of the European Convention on the Protection of Human Rights and Fundamental Freedoms.

The procedures that the European Convention provides are a revolutionary change in the methods of guaranteeing human rights. Simultaneously, the entire system is

a reflection and proof that the distinctions between the two types of advanced culture in making and administering laws, between the European continental and the Anglo-American types respectively, have narrowed.

In the European Convention the limits of fundamental rights are defined the same way as in the United Nations Covenant on Civil and Political Rights, but the formulation is made more specific with the help of principles contained in decisions handed down by the European Court of Human Rights.

So far as the manner of defining fundamental rights is concerned, the signing and ratification of the European Convention has introduced into the constitutional-law culture of the Czech and Slovak Federal Republic the determination of fundamental rights with the aid of court precedents. Here the constitution no longer has to be overburdened by a too precise formulation of these rights. The system entrenched in the European Convention is a reflection and proof of the narrowing of the distinctions between the European continental and the Anglo-American types of legal culture and is probably the optimal solution.

An essential part of our Charter of Rights and Freedoms is the chapter on the protection of these rights by an independent judiciary, including the so-called general clause on the review of all administrative decisions by the regular courts.

As a matter of fact, if the constitutional court were established without simultaneously introducing an extensive system of administrative courts, its docket would be overwhelmed, probably very soon, by a flood of citizens' complaints against the actions of administrative agencies.

At the same time, already the so-called abstract review of constitutionality and legality, and the resolution of jurisdictional disputes could be very demanding in the present stage of extensive reforms.

In view of our joining the Council of Europe and signing the European Convention on Human Rights, it will be necessary to formulate in the constitution the relationship to the international regulation of human rights, and to ensure that the Constitutional Court of the CSFR will enforce also the provisions of that convention and will be guided by the interpretations contained in the decisions of the European Court of Human Rights. From among the versions of regulation that came into consideration, we chose as the most suitable the constitutional principle that the rights and freedoms entrenched in international conventions to which the CSFR is a signatory have the same force on our territory as the constitutional laws of the CSFR have.

The system contained in the European Convention enhances considerably the judiciary's role. Within the limits of the fundamental rights entrenched in international agreements or in the constitution, the court will

create precedents with its decisions in individual cases, and in reaching its decisions the court will rely also on natural-law reasoning.

We have replied in the affirmative also to the question whether so-called specific review of constitutionality should be expected to continue. Under certain conditions, we will allow complaints to the Constitutional Court about constitutional rights, as an exceptional legal remedy against decisions of the ordinary or the administrative courts (and also against those decisions or other interventions by administrative agencies that are not subject to judicial review). Consequently, we regard the rebirth of an independent judiciary the decisive and dominant element of the rule-of-law state for which we are aiming. Without procedural tools and guarantees, even the very best draft legislation on human rights and freedoms would be worthless.

### **Carnogursky Attacked on Slovak Sovereignty**

*92CH0006A Bratislava NOVY SLOVAK in Slovak No 37, 91 p 14*

[Article by Jan Bobak: "Havel's Doctrine on Limited Sovereignty of the Slovak Republic"]

[Text] One of the fundamental democratic postulates of the Slovak national movement from the second half of the 19th century to this day has been the demand that Slovakia become a sovereign nation and an independent state. This universal democratic trend stems from the natural right of self-determination of one's own ethnicity and statehood—from the right which most nations in the European context had fully asserted in the course of the past centuries. For objective reasons, however, this natural process of national emancipation did not take place at the same rate all over Europe.

Particularly in its eastern regions, artificial supranational state formations which serve as tools of oppression and ambitions of one nation's hegemony over another nation or nations, have survived and still exist. The viability of these artificial units was forcibly prolonged by the accession of the so-called people's democracy and communism in East Europe. The USSR, Czechoslovakia, and Yugoslavia represented the communist version of a classic prison of nations. The experiences of those countries unambiguously confirm not only from the state point of view but also in terms of international politics that supranational statehood always was and still is a hotbed of a chronic political instability and social tensions. However, both communist and postcommunist totalitarianism could not stifle the yearning of the oppressed nations for their national supremacy and for their sovereign state. From that standpoint the struggle of oppressed nations for their own national and state self-determination in democracy is not only a struggle against the Russian, Czech, or Serbian hegemony but from a broader perspective it represents a struggle for a democratic arrangement of a unified Europe.

While the developments in the USSR and Yugoslavia have marked the first victories in this direction and their subjugated nations are taking their destiny into their own hands, Czecho-Slovakia's democratization came to a standstill. The outcome of recent negotiations by the presidia of the Slovak and Czech National Councils concerning the constitutional arrangement of relations between the Slovak Republic and the Czech Republic is a humiliation for Slovakia and the Slovak nation. Just as in 1968 the Communist Party under A. Dubcek's leadership accepted all the ramifications of the Brezhnev doctrine on limited sovereignty of Czecho-Slovakia within the framework of the Soviet bloc countries, so the parties of the ruling coalition of the Public Against Violence and the Christian Democratic Movement—without asking the opinion of our nation—accepted Havel's imperial doctrine on limited sovereignty of the Slovak Republic within the CSFR. At the time when the nations of the USSR and Yugoslavia are successfully casting off their slavery and inequality, in Slovakia one colonial power just replaced another. Havel's Prague took over that position from the Muscovite Bolsheviks most eagerly, naturally, with zealous cooperation by its helpers from Slovakia. At first glance it may seem that Public Against Violence has surrendered political power to the Christian Democratic Movement and that Mr. Carnogursky picked it up abandoned and discarded in the street. But in reality the cosmopolitan forces outside Slovakia's territory only decided to replace Gal's discredited Public Against Violence with the shingle of the Christian Democratic Movement. Czech jingoists supported by the Zionists allege quite seriously—brandishing the communist constitution—that the Slovak nation has no constitutional right to be completely sovereign. According to them, it would contravene the constitution if the Slovak National Council were to adopt the Declaration of State Sovereignty of the Slovak Republic. However, it does not bother them that Constitutional Law on Czecho-Slovak Federation No. 143/1968 guarantees sovereignty to the Slovak Republic and defines the Czechoslovak Socialist Republic as a UNION of national states based precisely on the right to self-determination of each of them. As a matter of fact, Czech jingoists have acquired a particular taste for the totalitarian methods of the previous regime, and in practice they treat the constitution as nothing more than a worthless scrap of paper. It is a deliberate deception of the Slovak public and a play for time if Mr. Carnogursky maintains that the Slovak Republic may achieve its full sovereignty within the federation, and if he links the formation of its future "independence" with the process of European integration. Only an infantile person can accept this phantasmagoria.

If we intend to preserve our national identity with every attribute of a sovereign nation, there is no other alternative but to gain state sovereignty of the Slovak Republic as soon as possible. Let the path chosen by the nations of the USSR and Yugoslavia be our example. The failure to resolve this vital problem and its continuous postponement have already reached a stage where we must ask

point blank which political forces will lead Slovakia to its sovereignty as a state, and what form the independent Slovakia will adopt. In principle, only those political parties and movements can lead that have clearly defined the issue of Slovakia's statehood and whose programs reject the concept of any supranational statehood in every form or fashion, beginning with the unitary type through the federal system up to the federation.

#### **Meciar, Kucerak on Slovak Politics, VPN**

*92CH0001A Prague PRACE in Czech 19 Sep 91 p 5*

[Interview with Vladimir Meciar, leader of the Movement for a Democratic Slovakia, and Jozef Kucerak, leader of Public Against Violence, by Renata Havranova and Mikolas Cerny; place and date not given: "Facing in Opposite Directions"—first paragraph is PRACE introduction]

[Text] Today, the Slovak political scene is teeming with politicians who previously used to sit practically at the same table, and now can hardly find bad enough words to say about each other. It is not even a year ago that Vladimir Meciar insisted that Jozef Kucerak is an able economist, who will be capable of leading Slovakia to a functioning market economy, and Jozef Kucerak in turn defended Mr. Meciar, who was then holding the position of prime minister of the Slovak Republic, before he was accused of shortsighted populism. Well, times change, the formerly powerful Public Against Violence [VPN] no longer exists, and the views of both politicians have changed as well. Vladimir Meciar today stands at the head of the Movement For a Democratic Slovakia [HZDS], Jozef Kucerak represents the remnant of the VPN movement. We asked them if they would give us, independent of each other, their views on Slovakia's current problems and the state structure of our republics.

#### **Vladimir Meciar, Chairman of the Movement for a Democratic Slovakia [HZDS]**

[PRACE] It has been already more than six months since VPN in its classic post-revolutionary form ceased to exist. We do not wish to hark back to the dramatic circumstances of the split, but we would be interested in what you think are the differences between the HZDS and the VPN in its present form.

[Meciar] The process, as a result of which VPN is losing the support of the citizens, is not finished yet. There are still internal differences in VPN. There are different conceptual views, internal dissensions; it can be assumed that its definite form has not yet crystallized. One group is resolutely trying to become a rightist party, but there are also other liberal views with a strong social aspect. The differentiation between HZDS and VPN has been clear from the very beginning. It is being demonstrated that we were right. Cooperation is impossible today. Moreover, if we take into account that there has been no change in the differences of views and concepts and that personal links have been broken, it gives rise to conflicts

as well as many dirty practices by VPN, which has not yet managed to settle its property obligations with HZDS.

[PRACE] More than six months ago, in an interview for our daily, you were a staunch advocate of the federation. You even stated that any division would be a disaster for both, and you enumerated the individual economic sectors that would crash. How come that today you advocate a confederation?

[Meciar] I sincerely tried for an internal arrangement of relations within the framework of a federation based on equality between the subjects of the Czech and Slovak Republic, for the building of a common state from below by ceding powers, for a regime without a central bureaucracy. These ideas were never adopted comprehensively, never realized, they were rejected in practice, and I was rejected as well. The federal bureaucracy found several political saviors and new ideas and devices, merely in order to justify the need for its existence. And at the same time it does not realize that it is precisely the one who is breaking up this state, smothering the natural interests and satisfaction of the genuine needs of both republics. When we take into consideration Slovakia's justified needs, we must say that today we have the choice of two alternatives—either accept the concept of centralism, or break up. That is why we are offering a way out, that is, a confederation. My progress from federation to confederation has not been easy. It took a long time before I came to such a conclusion. But it is a solution that could have a future, because we would preserve the necessary measure of what is to bind us together. We now have a paradoxical situation, where Slovaks have nobody with whom to talk about a confederation, and the Czechs, with the exception of VPN, about a federation.

[PRACE] In a confederation, that is, in a legal joining of two sovereign states which basically retain a considerable autonomy, would you want Slovakia to function according to the national or the citizenship principle?

[Meciar] In a confederation states do not retain autonomy. Legal theory agrees that the right of a nation to self-determination is a natural law, which belongs to the nation and is not something that somebody allows it to keep. It can temporarily give up that right for the benefit of somebody else, but it is not possible to take that right away from it. The movement came into existence based on the citizenship principle, and I cannot imagine that it would want to build the state on other than a citizenship principle.

[PRACE] Some Czech as well as Slovak politicians reproach your movement for an excessive orientation to the East....

[Meciar] As far as I know, at the moment we have been involved with the East in the sense that we have been studying the workings of the Japanese economic mechanism and the social relations in Japan. If we direct ourselves in this way, I do not think that we are doing

anything bad. If by the East you mean the USSR, then the policy, which resulted in the disintegration and loss of markets in that area, was a mistaken policy. The markets need to be revived and democrats in the USSR supported at all costs, because their defeat could also be our defeat.

[PRACE] How do you view the policy presented by the current VPN movement and Jozef Kucerak himself?

[Meciar] VPN wants to represent itself as a forceful rightist party and it mechanically takes up the views of ODS [Civic Democratic Party] and ODA [Civic Democratic Alliance]. It endeavors to apply them within the Slovak conditions, but here it somehow does not "fit." Therefore I do not give VPN much chance for recovery. As far as the person of J. Kucerak is concerned, I shall speak only about his work. He came to the government as a person of whom much was expected. After a few weeks we realized that he was in thrall of Mr. Klaus' ideas. It seems that he has a narrow angle of vision, and that he cannot perceive the full breadth of the problems. His departure from the government was decided by the plenum of the Slovak National Council, and I consider it a political mistake that at the same time when the Slovak parliament expressed lack of confidence in him, VPN named him its chairman.

[PRACE] We would like to hear your opinion on the economic reform now in progress....

[Meciar] As far as macroeconomic objectives are concerned, it can be said that there has been a lack of quantification. There is also no evaluation of each successive step. I believe that today we can already say that the extent of the restrictive policy was excessive. So much so, that it even causes stagnation in the industry and does not create anything that is desirable.

[PRACE] If elections were called today, what do you think would be the result in Slovakia?

[Meciar] I very much dislike making predictions. Rather, I shall exert more effort to make us successful in the elections.

[PRACE] In case that HZDS wins, whom specifically would you most like to see in the positions of minister of finance and economy in the Slovak Republic?

[Meciar] The fact that today we are backed into being the opposition gives us more time to prepare a program and select the people. In our movement there are people who deal with the issues of both the financial and economic policies. Their names are known, but to speak of them as future ministers would be premature. You see, they still will have to defend their programs in several rounds, and prove their ability to assemble and lead a team.

[PRACE] Many accuse you of populism and shortsighted policies that can gain voters for you but that will not help to ensure a good functioning of the state....

[Meciar] If I were in a different mood, I would have to laugh. Populism is not a sin, populism is a positive political trend. Let's start with the concept *populus* = people; people are the foundation of this state, therefore, all functions and activities are derived from the citizen. Politics is supposed to speak to the citizens, so why should populism be a fault? All those who speak about the shortsightedness of my policies can now find their answer in the Slovak National Council, where the government program, in the form we presented it, was declared to be the right one. I was accused of all sorts of things—being an agent of the KGB, of State Security, alcoholism. It is merely purposeful disinformation.

**Jozef Kucerak, Chairman of VPN**

[PRACE] What is your view of the difference between the VPN movement and the HZDS?

[Kucerak] We have not changed our policy, we still base it on our program "Opportunity for Slovakia," which consists in emphasizing individual democratic and civic elements, stands for a radical economic reform and the preservation of a common state. In contrast, the Movement For a Democratic Slovakia today talks quite openly about a confederation, and their behavior evinces elements of extraparlimentary policymaking. It involves a kind of direct or indirect support of various speeches and meetings which call into question the decisions of the Slovak Parliament and its presidium.

[PRACE] You are one of the few Slovak politicians who is an advocate of the federation in its present form, or at least you are said to be one, why?

[Kucerak] That is not entirely true. I am advocating the creation of a federation that would be unequivocally functional, which cannot be said to be entirely true of its present form. I believe that it is essential to remove all the elements which previously were the hallmark of a unitarian state. And that is also the aim of our policy—to arrive at such a well-functioning and sensible federation, created by a democratic process, not by unilateral decisions.

[PRACE] Talking about a functional federation, do you have in mind a further strengthening of republic powers at the expense of the federation?

[Kucerak] That cannot be put so unequivocally. In the kind of politics where citizens' initiatives and basic democratic principles are not underrated, it is possible to arrive at an optimum distribution of powers. And that could mean that in certain areas this could strengthen the powers of individual republics, but also the other way around. In some spheres, for example economic ones, it could, on the contrary, mean that the federation would be given some power back.

[PRACE] Do you think that the present government coalition in Slovakia conceives of a functional federation precisely like this? That is, primarily from the economic

point of view, where a judicious division of powers could ensure a fully functioning federation?

[Kucerak] That, conceivably, could be achieved. Unfortunately, even in the government coalition certain pressures are appearing today that do not point to a federation but to a confederation, by the emergence of which the greatly interlinked economy would suffer.

[PRACE] What is your opinion of the economic reform now in progress?

[Kucerak] I am convinced that the economic reform is proceeding according to the script, I even think that its basic pillars are already firmly in place. On the other hand, I am not satisfied with the fact that some steps of the economic reform are not progressing as quickly as I would like to see. I am thinking mainly about privatization and the resolution of the solvency or insolvency of enterprises.

Moreover, in Slovakia today there exists a dangerous pressure from the so-called national economists, who under the pretext of some kind of national economic policy would like to emphasize Slovak specifics where they do not exist, and who are coming with proposals for the implementation of their own economic reform. At the same time, the economic reform under way does not contain in its basics anything other than historically proven steps of a functioning market economy.

[PRACE] What is your opinion of the policies offered by HZDS and Mr. Meciar?

[Kucerak] The HZDS policy is one thing, and Mr. Meciar is another. In the movement we mainly witness internal differences in views on the state structure, economic reform, and some other issues. In HZDS there are people who until recently held an unequivocal view on the need to preserve the federation and continue the radical economic reform, but the movement today is more in favor of a state-run economy. In agriculture, Mr. Meciar is even advocating the preservation of individual agricultural cooperatives, and the like.

There has been much said about Mr. Meciar already, so therefore only briefly—he is exhibiting, above all, a strong savior syndrome. He is capable of asserting that he himself will personally ensure for Slovaks hundreds of thousands of jobs, markets for their products, etc. He made similar assertions during the time he was prime minister of the Slovak government, and it seemed as if somehow it never occurred to any of the people in Slovakia that such promises cannot be fulfilled from that position....

[PRACE] If elections were called in Slovakia today, what do you think would be the result?

[Kucerak] It is hard to say at this time. There are, of course, public opinion polls, but even the one year-and-a-half ago showed that they can be wrong. During

the elections themselves the voice of the so-called silent majority comes into play, and that can change a number of things.

[PRACE] In case VPN wins the elections, whom specifically would you want to see in the positions of minister of finance and economy of the Slovak Republic?

[Kucerak] According to the latest public opinion polls, our movement would get about 2.7 percent of votes. It is therefore hard to believe in some kind of victory, but if it were to happen, then I would like to see in those positions the same people who are there today.

[PRACE] A number of Slovak politicians accuse you of servility toward the federation, Minister Klaus, his economic reform....

[Kucerak] Those who say that should first of all realize that the economic reform is not some kind of invention of Minister Klaus'. He is its guarantor rather than author, because the reform consists of well-known steps toward the liberalization of an economy. And Mr. Klaus did not think those up, he and his team of collaborators are merely putting them to use. And as to my servility—here we are talking about nothing other than the fact that I hold the same views as the people who are implementing the economic reform. We are therefore talking about accordance of views, nothing else.

### Christian Democrats View Constitutional Challenge

#### 'Clean' Constitution Favored

91CH0911A Bratislava SLOVENSKY DENNIK  
in Slovak 4 Sep 91 pp 1, 3

[Article by Ivan Carnogursky, deputy chairman of the Slovak National Council: "The Christian Democratic Movement and the Constitution"]

[Text] An oldster stopped me on Zamaguri to ask: "What are you arguing with those Czechs about the Slovak state? After all, it is none of their business. Let them worry about their own affairs and stop robbing us."

In its standpoint concerning the draft law on the system of excise taxes, the Slovak government does not agree with requiring the distributor pay the excise tax in the case of gasoline; instead, it is demanding that the producer be the taxpayer. For the Slovak Republic's budget this minor difference could mean a loss of 13 billion korunas of tax revenue annually, in the Czech Republic's favor.

The Czech prime minister, in agreement with the chairperson of the Czech National Council, declared that in relations with Slovakia there were certain limits beyond which the Czech side did not intend to go. If the Slovaks insisted on further changes in the sharing of power between the federation and the republics, then it would

be better for us to separate. After all, a majority of the Czech Republic's population allegedly was already in favor of separation.

This calls for no further comment. The federation is truly shaking in its very foundations, and the foundation of any state is its constitution. But what is our constitution like? And what can—or more accurately, must—we do with it?

It will be worthwhile to briefly review the changes in our constitution. The first constitution for the common state of the Czechs and Slovaks, adopted on 29 February 1920, created a unitary state in which eventually there was to be only one nation, namely a Czechoslovak nation. Noteworthy was the principle imprinted on the constitution by its author, T.G. Masaryk. Instead of a civic constitution, it was a national one, based on the nation's right to self-determination. But the question is: Which nation did T.G. Masaryk have in mind?

The constitution's restored version after 1945 already made a clear distinction between the Slovak and the Czech nations, but suppressed Masaryk's principle of change. The socialist version, known as the Constitution of 9 May 1948, completely outdid itself in its understanding of nation. It declared that the Czechs and Slovaks were equal. To confuse the concepts, however, the constitution entrusted that equality to a Board of Commissioners and to the Slovak National Council. The Czechs had a National Assembly with power to enact legislation for the entire republic, while the Slovaks had their Slovak National Council with power "over matters of a national and regional nature, in agreement with the nationwide legislation." A peculiar scope of authority indeed, overshadowed by the republic's unicameral parliament. Not even the CSSR Constitution of 1960 changed essentially anything in that respect.

To anyone who doubted that the Slovaks were exerting systematic pressure for a constitutional solution to the two nations' equality, and for recognition of national sovereignty in their own state, the Constitutional Law of 27 October 1968 on the Czechoslovak Federation must have seemed a miracle. Certainly that constitution was not inspired by the Slovak state of March 1939, nor by the constitution it later adopted. The three amendments to the constitution, enacted in 1970, 1971 and 1975 respectively, discredited the Communist politicians in Prague. Already the first of these amendments restored Slovakia's subordination to central power in Prague, under the very transparent pretext of strengthening the federation's integrating function.

Slovakia had to wait 20 more years, until the collapse of communism in November 1989 and the first democratic elections, to finally get legislative power of its own. For a bicameral Federal Assembly and the Slovak National Council. It had to wait or is it still waiting?

Let us put national sentiments aside and stick to the letter of the constitution. According to our constitution,

the Slovak Republic and the Czech Republic are sovereign nation-states. They even have respectively their Slovak National Council and Czech National Council, the highest elected bodies in the republics! Other parts of the constitution state that assets on the territory of these republics belong to the federation. We know very well what such a small discrepancy between paragraphs can mean. It actually negates the constitution's preamble and provides, again and again, ground for "the federation's integrating function." Practice has taught us about that and is continuing to teach us persistently. Although the Slovak Republic has its own budget, it cannot keep its revenue from taxes, customs duties and fees. It has to ensure its own economic development, but it must obtain the resources for that from federal revenue collected—where else?—on its own territory, and also from its share of the jointly owned assets.

As a member of the ruling coalition, the KDH [Christian Democratic Movement] understands very clearly that the present version of the CSFR Constitution is neither a reflection of national sovereignty nor a basis for Slovakia's development. It is by no means a dimension of today's Western Europe. With the present, still unclear power-sharing between the republics and the federation, we are suffocating both sides.

In its draft constitution for the Slovak Republic, the KDH starts out from the principle of original sovereignty in its nation-state, sovereignty not limited by anyone or anything. It perceives exactly the same way the situation of the Czechs in their Czech state. We start out from a series of international documents and conventions in which the present CSFR has pledged to guarantee the right of nations to self-determination as well as fundamental human rights. We are two nations with two cultures, and we are two states! That is the basis from which we proceed to shape our common interests. Interests, I wish to emphasize, and not ties.

We ourselves are aware, and are also being told by the developed countries of Western Europe, that the logic of the situation commands us to transform our interests into ties. Both states, Czechs and Slovaks, have only to gain from sensibly agreed cooperation. The KDH will be entering the coming talks between the Czech National Council and the Slovak National Council with the concept of a so-called clean constitution of the Slovak Republic, covering all legislative and executive powers of the state. That must be a constitution which will finally close the 70-year history of distortion, trickery, and political domination over an entire nation by whatever group of politicians. From a national viewpoint, we have 70 years of totality behind us.

There is no other way to unbend this contorted history into straight lines of European thruways.... In the state treaty with the Czech Republic there is enough room to list the advantages of joint action. In it we have an opportunity to apply our wisdom as statesmen. It could also be a dress rehearsal for a similar treaty we both

would like to sign before long with the European Community. If it then will have been enough to change only the names of the parties to the treaty, that in itself will be the best certificate to prove that the Czechs and Slovaks belonged to a common Europe already in 1991.

Everyone will once have to wake up from his sleep, an unnatural sleep. A future awaits the Czech with the priority of their national identity and its enhancement to the status of the Germans and the French, of Europeans. We Slovaks must also learn to see, think and act the same way. We can come to if we both so desire. That, I believe, is the best solution for two sovereign nations.

### Confederation Seen Advantageous

91CH0911B Bratislava SLOVENSKY DENNIK  
in Slovak 6 Sep 91 pp 1, 3

[Article by Jozef Mihalik: "From Federation to Confederation?"]

[Text] Three main reasons are emerging at present as to why we must consider and elaborate alternative constitutional arrangements. First, public opinion in the Slovak Republic favors some solution other than the present one. Second, public opinion in the Czech Republic differs from Slovak public opinion. And third, we are seeking a suitable form for entering the European Community.

From the experience to date in conjunction with our constitutional arrangement and a (non)functional model of three governmental agencies (ministries) for the solution of essentially the same questions in different jurisdictions, at the levels of the federation, the Slovak Republic and the Czech Republic respectively, it follows that this model has not proven very suitable for the conditions of a market economy requiring free movement of persons, capital, information and goods. Objectively speaking, the model has to be replaced by a more functional one.

Assume that the Slovaks and Czechs want to continue living with each other, as well as with other nationalities, in a common state formation. In that case, after the failures of the constitution's metamorphoses so far, it becomes necessary to investigate the feasibility of a constitutional arrangement in the form of a confederation. The need to streamline economic relations clearly speaks for a confederative arrangement: due in large part to confusion and power-sharing disputes between the federation and the republics, economic relations at present make it impossible to reform the economy at the necessary pace and on the desired scale.

In the economic sphere the republics need maximum sovereignty to make more flexible and efficient their decisionmaking on transforming their respective economy into a market one, with the extensive participation of foreign capital and minimum intervention by the federal center and the other republic. It is for each republic to decide what priorities and measures to

choose that will enable its economy to prosper and function inside the nation-state and in relations with other countries. It is desirable that each republic be able to guarantee, in accordance with its needs and interests, the free movement of people, goods, information and capital, within the republic and across its borders. For that the republic must have complete sovereignty, and its statehood must be recognized internationally.

A confederative arrangement comes closest to the model we are speaking of. At the same time, the recognition of national identity and statehood must be expressed constitutionally, by creating institutions that exercise legislative, executive, and governmental [as published, should read "judicial"] power respectively and are not subordinate to higher authority. It would be desirable to define the confederation's powers so as to facilitate the processes that enhance development in the republic, and to minimize the processes that retard development. It would suffice to define: the powers delegated by the republics to the confederation, particularly in the sphere of defense in the form of the two republican parts of the common armed forces; the activities in conjunction with the currency; the coordination of foreign policy; and common standards for human and civil rights. The economy would fall only to some minimal extent within the scope of interest of the confederation's center.

We thus come to the third reason why the constitutional arrangement must be conceived on the basis of new criteria, namely the admission of nation-states into the European Community. Confederation is the most suitable form of constitutional arrangement that makes it possible to transfer the most effectively the nation-states' necessary delegated powers to the EC upon their entry. Essentially this involves the deepening of economic integration, joining a political union, agreeing on a common currency (which is being debated) and joining a defensive military union. The point is that today Slovakia is already able to say authoritatively what, from the viewpoint of its own interests, has to be done and taken into consideration to the necessary extent within the EC; what it can contribute toward EC policy; and what it itself intends to achieve through its own position within the integrated Europe of tomorrow, and how it will amend and harmonize its own laws accordingly.

That powers have to be delegated to the federation so that it can eventually transfer them to the EC upon entry is a false hypothesis. The error lies in that our federation concentrates also economic powers of the kind that are not, and in the future will not be at all, the subject matter of EC economic policy. Such an approach, moreover, merely confirms that we lack independence to decide our own affairs as a sovereign nation. Confederation would permit to begin already now the process of negotiating the admission of two states into the EC. The choice between federation and confederation means deciding whether we Slovaks want to join Europe as a sovereign and independent nation or are willing to postpone indefinitely our national aspirations.

We must regard as favorable those latest trends in CSFR policy which, by accepting already now some elements of confederation, are rationalizing the views on the constitutional arrangement's evolution. Here we should mention the Kromeriz conclusions regarding ratification of the federal constitution by the Slovak National Council and the Czech National Council, the signing of a treaty between the Slovak Republic and the Czech Republic, and so on.

The confederation-of-nations policy, with a separate seat for Slovakia in the integrated Europe of tomorrow, expresses an objective process, and we must conceive from its position the status of the republic's national economy. The unitary state is unacceptable to an overwhelming majority of Slovaks. We know from experience that a genuine federation is nothing more than a cover name for a unitary state. The confederation policy resolves that apple of discord, the essence of the economy. It is obvious that—within the framework of the present views on, and approaches to, federation—it is not realistically feasible to unravel the economy's tangled ball. The solution lies in the republic's economic sovereignty that includes sovereignty in making decisions regarding the creation of resources, as well as control over the use of the nation's entire assets.

Slovakia must solve for itself the problem of sovereignty and independence. The world will accept reality in whatever form it exists. Today no democratic state doubts that every nation has a right to its own sovereignty and statehood. The point is to achieve this by parliamentary means. Let the events which took place in the Soviet Union serve as a warning to us all. They occurred because nondemocratic circles were unwilling to accept a treaty between the center and the republics, one that would have devolved considerable powers to the republics and would have allowed some of them not to be parts of the Soviet Union.

### Petrik Wants Sovereignty

91CH0911C Bratislava SLOVENSKY DENNIK  
in Slovak 6 Sep 91 pp 1, 2

[Article by Ivan Gerza: "In the Omen of the Talks"]

[Text] At the press conference the Christian Democratic Movement [KDH] held yesterday, KDH Central Secretary Jan Petrik briefed reporters on the talks within the coalition, and on the KDH initiative to provide humanitarian aid for the Soviet Union.

"Civic Forum's visit with us marked the resumption of activity after the summer vacations. Next, the top representatives of the two republics met again at the celebrations commemorating the Slovak National Uprising. Then today the presidiums of the Slovak National Council and the Czech National Council met for joint talks; and the President received the economic ministers and then conferred with representatives of the parliamentary political parties. And the Civic Democratic Party will be holding talks with the Slovak parties on

Monday. These meetings and talks can be valued highly as initiatives of the Czech political representatives to resolve the endless deliberations on a common state.

"Czech politicians have come to realize that although the Slovak political scene is as fragmented as the Czech one, the Slovaks—be they Communists, Christian Democrats or all those others—have been able to agree on one issue, namely on Slovakia's sovereignty that will be expressed through the enactment of a Slovak Constitution by the Slovak National Council. They have understood that it is necessary to hold talks. It goes without saying that the KDH welcomes these steps and is frank at all the talks, even though it knows that its philosophy is not entirely acceptable. That philosophy is summed up in three points, which we have conveyed both to the Civic Movement and the Civic Democratic Party. They are: enactment of a clean Slovak Constitution; organization of the Czech and Slovak Federal Republic based on the principle of a treaty; and a referendum. Thus, the further course of action will be determined on Monday in the joint talks with the Czech party that is a significant political force. The party—together with the Civic Movement, and the Christian Democratic-oriented [Czechoslovak] People's Party—has a definitive influence on the political development in Bohemia. Therefore the opinion of the party's president, Vaclav Klaus, will be decisive in that development.

"The Czech political force that is the first to extend its hand sincerely, the way the Slovak side is doing in the form of a treaty between the two republics, will gain exceptional support in Bohemia. The opposite contention, that a firm anti-Slovak stand is the vehicle of progress also in Bohemia, is not true. As long as spectators in the stadiums of Bohemia whistle while the Slovak anthem is being played, and Slovaks do the same during the first part of the anthem, living together as equals in a common republic will not be achieved by means of any declarations, only on the basis of a legal norm. That norm will be the treaty between the two republics that recognizes us as equal partners.

"The European Democratic Union will be holding its conference in Paris on 12 and 13 September, and the Christian Democratic Movement will represent Slovakia there. The Czechoslovak People's Party and the Christian Democratic Party will attend from Bohemia. On the conference's agenda will be the situation in the Soviet Union as well as in Yugoslavia, and—of most immediate concern to us—cooperation with the former East-bloc countries and the most effective form of Western aid."

In the next part of his briefing for the press, the central secretary of the KDH dwelt on the KDH's ideas about entry into Europe, in conjunction with the unification process. "The European countries are delegating some powers to the EC Parliament, while reserving other powers for themselves. It would be possible to proceed in the same way also in our case: we, too, could delegate the powers that are at the federal level, but retain for our national republics the powers that other European

nation-states are retaining for themselves. This is a continual process that could lead to where Slovakia's representatives would be sitting at the European negotiating table alongside the representatives of Bohemia and Moravia, mutually supporting each other."

In the remaining part of his briefing, the speaker dwelt on the following timely questions:

The Slovak National Uprising is a fact of Slovak history. Even if certain acts were committed during the uprising that were wrong from a Christian point of view, it does not mean that we should condemn the uprising's positive historical role.

The standpoint of KDH representatives is clear regarding the initiative of some deputies from other parties that the Slovak National Council's laws should take precedence over federal laws. Such a proposal is in conflict with the constitution now in force. Therefore the KDH favors legislative action, namely the enactment of a Slovak constitution.

The Christian Democratic Movement will be holding talks today with [Meciar's] HZDS [Movement for a Democratic Slovakia] on unifying Slovakia.

Prime Minister Jan Carnogursky has proposed humanitarian aid for the Soviet Union, linked to the \$250 million that the United States is offering to provide for the Soviet Economy. Since Monday the ministries, with the help of various enterprises, have been assessing our capacity to supply various types of merchandise: medical instruments, clothing, footwear, food products, medicine, etc. The United States would reimburse us from the aid approved for the Soviet Union. Some deliveries will be shipped already in the near future. Now when many of our enterprises are having marketing problems, this assistance and contribution to our economy is welcome.

In all the coming talks the Christian Democratic Movement will be insisting on a meaningful solution of the problems, in Slovakia's best interest.

#### **Reasons for Coupon Privatization Given by Klaus**

91CH0904A Prague HOSPODARSKE NOVINY  
in Czech 2 Sep 91 p 4

[Article by Vaclav Klaus: "One Wave After Another"]

[Text] We are at the threshold of large privatization, at the beginning of the most difficult part of our economic transformation. There is not the slightest doubt that privatization is the only way for us to achieve what we all want so much: a change in ownership relations that initiates the selection of the most vital enterprises from the incompetent enterprises, resulting in economic growth.

We have probably not done enough to explain and emphasize the key idea, that privatization should not be considered as a cure for individual (all) enterprises, but rather as a cure for the economy as a whole. For us,

privatization is a way to open the path for the most promising at the expense of those who, I would say unfortunately, have no future regardless of the extent to which they are at fault for this state of affairs.

The legislative framework for large privatization has been designed to enable exactly what the government sought in its economic reform scenario, namely the opportunity to employ both standard and nonstandard privatization techniques. This means that in addition to techniques applied elsewhere in the world, we are prepared to implement an innovative technique, which we have called coupon privatization.

The Federal Ministry of Finance [FMF] is often accused in current discussions of the course of economic transformation of singlemindedly pursuing coupon privatization at the expense of all other privatization methods. These criticisms, at a minimum, leave out the basic fact that it was this very FMF that initiated small privatization. Likewise, it was the FMF that was the main architect and implementor of the so-called transformation law, in other words the concept of the creation of individual privatization plans, based on proposals by enterprises themselves (not by ministry bureaucrats), which suggest the optimal privatization technique.

The emphasis placed today by the staunch supporters of privatization on the coupon method is in no way an attempt to weaken all other privatization techniques, or an effort to delay the entry of foreign capital into our economy. Our emphasis on coupon privatization derives from something else: in contrast to most of our critics, we have not lost sight of the immense scope and complexity of the privatization process.

It is often overlooked that for a period of a year, beginning in April 1990, the FMF alone had the authority to approve the establishment of enterprises with foreign capital participation. In the context of this approval process we learned a lot about how privatization with foreign capital participation looks in practice. I don't think that a single decision was made that was not followed by a wave of criticism. This is because every decision affected someone: sometimes it was some of the employees of a firm, another time it was our potential private businessmen, another time the unions, and on more than one occasion our own colleagues in the government budget office. Intervention followed intervention, visitors were lined up in our offices, and invitations to business dinners in European metropolises were always available (including transportation by private plane).

Based on these experiences we allow ourselves to assert that not only do we know quite a bit about the problems of practical privatization, but we consider them to be a lot more serious, or so it seems, that many of our critics.

The problem of restructuring enterprises, their valuation, and especially the problems of so-called spontaneous privatization are so infinitely large that we cannot postpone their resolution. In fact, they become that

much more profound with every day that passes. Every day of delay in the area of privatization contributes to an increase in social and economic tension. Arguments that delaying privatization by a few months will allow us to prepare better for it do not take account of the dramatically changing scope and structure of the problems that we intend to solve.

During the time we have taken to transform our legal system, several functioning economic structures have been falling apart, including very valuable supplier-customer networks. Power struggles have led to the atomization of our enterprises even where ownership of this network is the most valuable piece of enterprise property. This has caused unnecessary economic losses.

Every day of delay blunts the vigilance with which we can monitor the so-called spontaneous, in other words unorganized privatization that leads to the robbery of the property of us all. The directors of our government enterprises set up their own companies with which "their" enterprise then signs contracts. The resultant political damage is clear. The economic inefficiency of these actions stems from the exceptionally short time frame used by these would-be "entrepreneurs" for their decisions.

Other directors drive their firms into the ground as soon as possible, so that they can then rent its offices and "warmly" welcome its entire previous clientele.

No delay is going to help us with intentional restructuring. The persistent idea that we will be able to use privatization to achieve an optimal size for our enterprises and that in this way get rid of property that is difficult to consume, is much too ambitious. First of all, there is no one who would do this with any kind of objectivity or sense of a broader picture. Moreover, there is no simple criteria that can be applied to provide guidance in this area. Finally, and unfortunately, there does not now exist a political climate to facilitate this "demonopolization" operation.

Let me prove this assertion using the example of small privatization, which is directly based on the allocation of portions of enterprise property for privatization purposes (a so-called operating unit is broken away from a company, and then offered for sale at public auction). Small privatization shows well how large the problems are that are associated with this. It is simply natural that the breaking off of some property causes tensions in some firms, and even a willingness to strike. This does not necessarily have anything to do with the old structures of the former general directorate. Frequently, the problem is that without the part of the company that is being privatized the remainder of the enterprise is not viable. For example, if we break off a research laboratory (which can always be profitable) from a large enterprise, the remainder of the enterprise often becomes worthless.

How do the ministries want to judge whether such objections are economically justified or not? We are well

aware that there is no one to perform this kind of evaluation, and that there is also no time in which to do so.

Therefore it is necessary, with some lucky exceptions, to privatize enterprises as they exist today, that is with their good points and bad points from the past. We plan to leave most of the restructuring activities to the new owner.

The situation in the valuation of privatized property is similar to that in restructuring. It has been stated on numerous occasions that without a sophisticated financial market it is impossible to make a market evaluation of enterprise assets and liabilities. There is no alternative method to what can be accomplished by a smoothly functioning market. Every sale of government property into private ownership is essentially an arbitrary act. Public competition (for example so-called tender offers) are frequently only an artificial attempt to replace something that cannot be replaced.

Remember the criticism that followed the signing of the Skoda-Volkswagen contract. The same, and even more intense criticism will follow every future action of this type. We have noticed that this criticism comes often more from foreign than from domestic sources. The defeated competitors will always call attention to the fact that their bid was really the more advantageous.

To all of this one adds the ambiguities fed by even well intentioned advice to "support the influx of foreign capital." On the basis of these recommendations all kinds of tax breaks and monopolistic privileges are proposed. Government bureaucrats who are upset gladly agree with statements that only the best parts of a firm will be involved in a joint venture, that tax free periods will be at least as long as they are in Hungary, and that protection from competition at home and abroad can be assumed.

When they add up all these measures, they rapidly learn that more than one enterprise has been sold for a negative price, meaning that we basically paid a foreign firm to take our property.

We at the FMF assumed that we would face these difficulties, and have therefore been preparing coupon privatization since February of last year. Coupon privatization is based on the concept that a few hundred of our enterprises be turned into stock companies and that the stocks in these enterprises will not be sold for dollars or korunas, but for investment coupons. The stock prices will be quoted in investment points and every citizen (who meets specific, very simple conditions) will be able to spend his one thousand investment points on these stocks.

We will probably carry out this privatization in two waves, at different times. We will include in each of these privatization waves property valued at about 200 billion Czechoslovak korunas (based on current, nonmarket valuations).

The essence of the current dispute over coupon privatization is far from an issue of whether or not to have coupon privatization. All governments, all our parliaments, and all important political figures have long agreed that it will take place. The current disputes concern when and to what extent we want to implement coupon privatization.

From the beginning, the FMF has been of the opinion that coupon privatization is not only possible but that it is essential to conduct it immediately, in January of next year. We have already spoken of the necessity. The opportunity to conduct such a rapid operation is based on these principles

- With insignificant exceptions, there is no reason to link government ownership with private ownership in privatized enterprises.
- With insignificant exceptions, there is no need to combine coupon privatization with other means of privatization.
- With insignificant exceptions, enterprises will be privatized without being restructured.

If it is decided that an enterprise needs to be privatized as soon as possible, but no feasible and realistic proposal is available to privatize by the standard method, then there is no reason why that enterprise should not be included in coupon privatization (excluding restitution claims).

In other words, there is no reason in a privatization scheme to reserve any portion of stock for the government, for foreign investors (who are still all but unknown), for preferential stocks reserved for management, or for employee stock.

There is no reason to reserve anything for the government because even after coupon privatization it will have far more property than it should. The foreign investor will find it easier to enter a privatized economy, either by purchasing stock from domestic stock holders, or by purchasing stock from an already privatized corporation. Granting preferences to our managers and employees is socially unjust. It is unjust because nurses, elementary school directors, and thousands of other employees will be discriminated against by such preferences.

Employees of enterprises responsible for preparing and developing privatization projects often respond to our suggestion to submit the enterprise to coupon privatization with the question, "We could do that?" Yes, they can. The large privatization law allows this, but the ministerial bureaucrats don't like to hear it because they have an interest in the government retaining part ownership of the enterprise.

There is no need for this. Even if we succeed next year in selling, in two waves of privatization, stocks in roughly 2,000 of our midsized government enterprises, and even

if we break all existing records in privatization speed, 60 percent of our economy will still be in government hands.

This is also an answer to those who fear that coupon privatization will either take away their livelihood or property for sale by other privatization techniques.

### **Economic Strategy Expert Looks Behind Reform**

91CH0904C Prague HOSPODARSKE NOVINY  
in Czech 5 Sep 91 p 9

[Article by Eng. Jaroslav Ungermann and Eng. Jiri Rusnok, Federal Ministry for Economic Strategy: "Looking Under the Surface of Reform"]

[Text] The financial performance of government enterprises for the first half of the year is neither completely negative nor completely positive. It does indicate certain ongoing economic development trends. Analyzing this performance allows us to look beneath the surface of the ongoing reforms.

Enterprise output, after a significant leap forward at the start of the year, has begun to show a marked decline, having been stopped by price increases. The decline in production means that total output, which was 50 percent higher in January 1991 compared with January 1990, was only 21 percent higher in June 1991 compared with June 1990. If we include price increases in these changes we find that industrial production in the first six months was 18 percent lower than last year, with June output being 25 percent lower. The dominant factor determining changes in output is therefore not price increases, but declines in production.

There are also important changes occurring in the structure of industrial production. Chemicals are experiencing the fastest growth rate. The power generation, fuels, and ferrous metallurgy sectors are also experiencing above average growth and therefore increasing their shares of total industrial production. The glass, paper and cellulose, and metalworking industries also belong in this group. The shares of machine building, the textile industry, electrical engineering, and the food industry are all declining! This movement is serving to define clearly a group of industries that can define the production structure of the Czechoslovak economy over the medium term. Relatively better prospects are anticipated for industries related to raw materials and producers of semifinished goods, at the expense of processing industries. Other facts also support this.

### **Capital Replacement of Old Structures**

Perhaps the most important characteristic warranting our attention is the growth of enterprise profits. As is well known, profits increased dramatically in the first months of the year (in the first quarter by a factor of 2.5 over the previous year). In May and especially in June the profitability of production declined and is slightly under the levels of last year. This is true mainly in

nonindustrial sectors. In the government sector, agriculture has lost 4.7 billion Czechoslovak korunas [Kcs], which is 6 times more than last year. Transportation is also recording losses. Construction is not experiencing losses, but profitability is declining significantly, and nominal profits are half of what they were last year. Profit developments in the first half year allow us to define two general groups. The fuels, metalworking, power generation, and glass and ceramics industries all increased their profits by more than 140 percent. At the other end of the spectrum are firms with profit increases of less than 70 percent, including machine building, the textile and clothing industries, construction materials, electrical engineering, and printing.

Profit growth, along with costs, output, and price indexes confirm the signals evident from development in May. Specifically, the stage of initial price increases, or price shock, has ended, as predicted by simulations of the consequences of initial reform measures. What happened is that the new prices made their way into the production costs of affected branches, thus exhausting the first "effects" of price deregulation. It appears, therefore, that the economy is entering a new phase, a phase of real adaptation to the new economic conditions and new market situation. It is also clear that some sectors are entering the new phase with underutilized capacities that they will be able to use, because this period of adaptation cannot end after five months like the price shock phase. Rather it will last a very long time and be far from as simple as things have been so far, because in addition to price increases this phase can change many other things for our enterprises.

The existence of underutilized capacity in many sectors is evident from the development of profits as a percentage of output. Profitability is in excess of 15 percent for the glass and ceramics industry, fuels and power generation sector, thanks to the most recent price increase, and in the woodworking industry. Elsewhere relatively high profitability levels are the result of developments in the initial months of this year, such as in the textile industry which, however, is rapidly running into marketing problems. It is possible that in this sector the initial price level was overestimated and the market analysis flawed. However, the possibilities for adapting are also relatively promising because capital requirements are not as demanding and this industry certainly enjoys the advantage of low labor costs.

The improved profits in the raw materials processing branches or the so-called "heavy" industries is not a particularly positive development because it creates the conditions for capital replacement of the old production structure. The above mentioned five sectors (fuels, power, ferrous metallurgy, metalworking, and chemicals) accounted for 43.5 percent of total industrial output, but generated almost 55 percent of total profits. Last year they accounted for 37 percent of output and 43 percent of profits. This kind of profit growth of course creates strong investment impulses. Even if one assumes that these investments might be used to modernize often

obsolete primary production facilities, it is impossible to ignore the undeniably negative influence on capital replacement in the existing production structure. It is possible that over the medium term this structural shift might continue to reallocate profits realized because of modernization of the physical plants of primary producers to the processing branches. This would also mean, though, that prospects for improving the situation in the processing sectors are very uncertain in the near term.

The above signs of structural movement, though it may be premature to talk about movement, even though the trends are clear, confirms the idea that the determining factors in structural movement include international competitiveness parameters. All these so-called heavy sectors have good export performance. In addition, the changing structure of Czechoslovak exports to Western European countries points clearly to an increase in the percentage of total exports accounted for by semifinished goods and raw materials. An analysis of the kilogram prices of Czechoslovak exports in recent years clearly shows that the smallest drops in orders from the developed countries are in raw materials products, with the drops in orders increasing with the degree of processing in the product. This means that this factor is currently exerting a great influence on structural movements in the Czechoslovak economy. The koruna devaluation made the condition worse, because it gave raw materials suppliers a "cushion" for price negotiations with domestic customers, allowing them to be less expensive than imports and still make a handsome profit. These developmental trends all point to a very serious need for the development of a government structural policy for the future.

### Wages Against Inflation

The evolution of the revenue situation of government enterprises also allows us to analyze wages, the volume of which has increased by 3 percent compared with the first half of last year, with the increase being 4.7 percent in industry. The most rapid wage growth has been in the fields of ferrous metallurgy, printing, the glass and ceramics industry, power generation, and chemicals. This development need not create fears because these increases are relatively modest and are, in fact, lower than expected. Developments in June, however, cause some concern in that they indicate that enterprises are starting to supplement wages prior to vacations, or offer other wage supplements that are intended to moderate the increased costs of living. For example, in June the total volume of wages paid in the power generation sector was 20 percent higher than last year. The figure in ferrous metallurgy was even 26 percent higher. At present there is no cause for concern. We do have to be aware that there is a broader context to wage developments in upcoming months. Right before the signing of the General Agreement we noted that the chosen system for enhancing wages is not sustainable across the national economy and will lead to inflation unless it is changed.

Today it is clear that national income will decline this year by about 15 percent. The basic national economic relationships for the use of the national income lead to the conclusion that real wages have to decline by at least this much. If, therefore, we want to prevent inflation and maintain equilibrium we need to restrict wage increases in the national economy to the vicinity of 12-15 percent at the current rate of price increases. More growth than this would mean the issuing of inflationary money that would quite probably lead to a worsening of the balance of payments and other secondary affects.

The evolution of the revenue situation of enterprises offers much food for thought and discussion about not only the current course of reforms, but mainly about their further development. This article is intended in the same vein.

### Public Sector Privatization Viewed

91CH0904B Prague HOSPODARSKE NOVINY  
in Czech 5 Sep 91 p 5

[Article by Eng. Karel Cap, director of the Division for Support of Entrepreneurship, Market Development, and Privatization of the Czech Republic Ministry for Economic Policy and Development: "Characteristics and Programs"]

[Text] The application of general privatization programs in the so-called public sector has its own characteristics. These are described in this article by Eng. Karel Cap, director of the Division for Support of Entrepreneurship, Market Development, and Privatization of the Czech Republic [CR] Ministry for Economic Policy and Development [MHPR].

The CR MHPR is the founder of government enterprises in branches that are commonly included in the so-called public sector. These include power and heat generation, gas production, the extraction and processing of coal, crude oil, natural gas, and ores, aviation, water, and public highway transportation, postal and telecommunications services. It is also the founder of firms for geological activities, research and design, and is the organizer of investor organizations in the area of road and housing construction, certain government administrative organizations in transportation, and secondary professional training centers.

With a few exceptions, all the enterprises and organizations in this sector will prepare privatization plans. This does not mean that they all should be completely privatized, but rather that all will be evaluated to determine their suitability for privatization, either as a whole, or in terms only of certain parts or activities.

The privatization of organizations in the sectors administered by the MHPR is based on the same principles as privatization in other sectors. Due to the nature of the organizations, however, the application of the general principles has certain characteristics. In branches of the public sector there is a significant time lag between

denationalization and privatization. Denationalization needs to happen quickly, with the actual privatization being a longer term process connected with the restructuring of the enterprise. In the corporations of this sector it will be necessary to make a decision concerning the role of the government. This might take the form of exclusive or controlling capital participation by the government and membership of state agency representatives in the managerial boards of these corporations, or may take the form of legally prescribed government authority related to these corporations. (The second approach would also enable us to privatize these firms using coupon privatization.)

The complexity of denationalization and privatization in public sector branches also requires some modification in the preparations for privatization. Prior to the preparation of privatization plans, sectoral strategic studies were prepared related to privatization in the power generation, gas production, and coal industry, for postal and telecommunications services and public highway transportation. Some of these studies used foreign consulting firms, while the remainder will be critiqued by foreign consulting firms. These studies were prepared to answer several questions that may have a significant influence on the privatization strategy for individual public sector companies. These questions include:

- Defining the basic activities of the public sector.
- Defining the main objectives of privatization in individual public sector branches.
- Defining the objectives and scope of government regulation of public sector branches.
- Establishing the legislative framework for the denationalization and privatization of the public sector.
- Establishing the principles of pricing, or rate, policy for specific public sector branches.
- Defining the scope and form of government participation in the development of the public sector.
- Defining the scope and form of foreign capital participation, etc.

The conclusions of these strategic studies will be formulated as principles of government policy for privatizing the public sector and will be submitted to the CR government for approval. If the government adopts them, they will serve as the basis for developing privatization plans in public sector companies.

The preparation of sectoral strategic privatization studies and the approval of government policy principles for privatizing the public sector may in some cases postpone the deadlines for preparing privatization plans. In spite of this, there is no reason why as of 31 October privatization plans cannot be ready for those operations or activities of government enterprises about which there is no doubt that they should be split off. These include

various machine building, construction and assembly divisions of government enterprises in the fields of communications and power generation.

For the important companies of these branches for which strategic studies have not been prepared the responsible managers of the ministry will be involved directly in the drafting of privatization plans. The reason for this direct involvement of the founding organization in the preparation of privatization plans is to make sure that enterprise interests are in line with government policy. Some of these plans, such as those for the Czechoslovak Airline or the Czechoslovak Uranium Industry will be submitted for approval directly to the CR government.

The MHPR also manages enterprises that do not provide public services, such as geological organizations, design organizations, various machine building or construction firms, etc. When privatizing these firms the ministry will give preference to auctions, public competitions, and direct sales, in line with the recently passed government policy principles for supporting the creation and development of middle sized companies.

The complexity of the restructuring and privatization of public sector companies requires the help of foreign advisers. These are mainly experienced legal, strategic, and financial advisers. The use of these advisers for preparation of enterprise privatization in this sector is coordinated at the ministry level with the objective of assuring quality advisory services and the effective utilization of available financial resources. The main source of financing for foreign advisers are enterprise resources. In other cases, foreign advisory services can be financed based on an agreement with the foreign partner to accept capital participation in the privatized enterprise. A third source of financing for foreign advisers are foreign assistance funds (for example the U.S. AID, PHARE), the fund for national property, and budgetary reserves allocated by the ministry for this purpose. The selection of foreign advisers and possible financing are both discussed with the Ministry for National Property Administration and Privatization, and federal institutions that organize the utilization of foreign assistance.

### Consumer Cooperative Transformation Viewed

91CH0904E Prague HOSPODARSKE NOVINY  
in Czech 5 Sep 91 p 9

[Article by Eng. Zdenek Jurasek: "Must We Build on Ruins?"]

[Text] The author, for many years a cooperative member, and after November the chairman of the Jednota Consumer Cooperative [SD] in Kromeriz, is of the view that getting rid of something that worked only because it survived a politico-economic system with which we parted willingly means repeating the experiences of the totalitarian regime. He therefore also does

not agree with the current campaign against the cooperative movement, which is intended to recruit people for the anticipated transformation law.

One of the basic things against the consumer cooperative is the impression that they were formed by decisions of party offices in the 1950's. In fact, in party resolutions of as early as 1954 criticisms can be found of cooperatives as a lower, less advanced form of socialist ownership. The political consequences of this opinion of the party and government followed: they nationalized the warehouses and drove the consumer cooperatives from the towns.

### Consumer Cooperatives Did Not Attain Socialism

It is also not without justification that heirs, under the restitution law, of returned pubs and stores consider consumer cooperatives as the engines of the previous expropriation. On the contrary, the stores taken over by the government were forced on the cooperatives and most of them were albatrosses for the cooperatives. This is why the cooperatives are very willing to return unprofitable pubs and stores to their previous owners. Some of them, however, have been much improved by the cooperative members in the meantime.

The restitution law is just only for individuals, but not for legal persons, including cooperatives. If restitution were conducted in a completely just manner, i.e. if the government returned all property taken by the government, the consumer cooperatives would be stronger than ever before.

In local offices we often encounter the view, "We built stores here, and now you are using them to perform services for such and such a price...." This assertion is completely inaccurate. All the buildings built under project "Z" were bought by the consumer cooperatives, and included a 20 percent "escrow," that the village could use for running water mains, providing lights, or something else to improve living conditions in the country.

Regarding the services of the monopoly Jednota, I can only say that everything depends on people and on the conditions of trade. I could give Minister Jezek examples of compliments received for consumer cooperative services and criticisms of the practices of private businessmen who are just starting out. In my opinion it is unbecoming of a minister of his quality to engage in blanket and nonspecific criticisms of something that he does not know well, or knows well, and makes the criticism anyway for another purpose.

### Unequal Competition

Criticisms of the level of our prices often does not take account of differing operating conditions. A private businessman who opens a store does not have to pay taxes, does not have to pay dislocation fees to the village, and often does not have to pay taxes on the sale of alcohol and cigarettes. He can also carry exactly the

products he chooses and no one forces him to carry a complete line. To say nothing of regularity of supply and business hours. On the one hand people are against our monopoly, but on the other hand they consider it our responsibility to have baked goods, bread, and milk whenever we are open, demands that no one would think of making on a private shopkeeper.

I do not want to make excuses for the shortcomings of our stores. As I have stated, everything is in the people, and we as well as the private sector encounter good and bad shopkeepers. It is just that the shortcomings are more evident when they are ours.

Much has been written already about price rises in stores. An example of a general, completely irresponsible, and intentionally damaging criticism (of most businessmen, including private ones) of business margins after price deregulation was the article "There Is No Alternative to Transformation" by professor Synek of the Prague Economics College, published in the HOSPODARSKE NOVINY No. 30/1991. The business markups he asserts in that article can be afforded only by isolated speculators trying to get rich quick, not by any businessman in the true sense of the word.

In this regard I can offer some different, but documented numbers. Our consumer cooperative is one of the best in the Czech Republic. Experts would confirm that we do not have an excessively large administrative staff or increasing overhead and that we operate under average conditions. In the first quarter of this year revenues from markups increased by 3 percent in comparison with 1990, costs increased by 23.6 percent, so that economic performance was 25.8 percent of last years figure. I think that this data needs no commentary.

In addition, even now one notices a significant backtracking from comparisons of relative prices for cooperatives and private businesses. I think that what is going on is hiding of differences in average prices. I do not think that the main reason for this is that private shopkeepers do not want to continue with price competition, but rather that their thinking has changed on the matter. Many have come to the conclusion that a rather than work with a roughly 17 percent gross margin in a village, they would rather put the money in a savings institution. This is evident from the lack of interest in either renting or buying our facilities. This leads to another paradox, namely that on the one hand people are fighting against our monopoly while on the other hand we are being forced to buy up facilities built under project "Z" because no one else is interested in them.

It can therefore be stated that if a private businessman undertook the supplying of villages if Jednota were to fail once and for all, he would be hard put to find a competitor given the current business conditions (food markups of 17 percent here, compared with 33 percent at the Austrian chain Konsum). The conclusion is obvious. The Jednota monopoly that guaranteed in its region

uniform prices would be replaced by a monopoly private businessman reacting "flexibly" to demand.

### Transformation Has Already Begun

Cooperative democracy has suffered greatly over the past 40 or so years. From prosperous, self-reliant consumer groups the recent system created a mass social organization that exaggerated the level of commitment to the development of socialism in the countryside. But we still owe a lot to its members. The fixed prices made it impossible to attach any economic benefit to membership or to offer other advantages. We are again working towards providing these things, by renewing purchase incentives, and offering advantageous restitution and other economic advantages and services. This is bringing our base close to that of the prewar cooperative, or Austrian Konsum, the Swiss Migros, or to Swedish cooperatives.

It sometimes seems to me that someone is treating us, a new generation of consumer cooperative managers, as troublemakers who need some proper direction. We however did not wait around and have planned a transformation that conforms in my opinion to the needs of the times and the requirements of our members. Many cooperatives have prepared a so-called personification and have increased economic incentives for members and employees. I am not saying that all cooperatives are good. We too are subject to illegal manipulation of property and similar conflicts as those that occur in the government sphere or in private business. This is bad, but it is an unavoidable phenomenon that accompanies the transformation of the entire economy.

Cooperatives have already embarked on their own transformations. If someone thinks that we need a law on top of this, that person should consider the fact that cooperative members know best where transformation should lead for them. A law would serve only to create an essential framework for this transformation.

Editor's note: Even though the author tries to be objective in his defense of consumer cooperatives, this is clearly difficult for him, given his position. This does not take away, however, from the interesting points he makes in the article.

### Reaction to First Half 1991 Results Examined

91CH0904C Prague HOSPODARSKE NOVINY  
in Czech 5 Sep 91 p 8

[Article by Jiri Jonas, IMF, Washington: "Lift Macroeconomic Restrictions or Not; The Basic Question of Economic Strategy"]

[Excerpts] Data on the development of the economy in the first half of the year provide sufficient topics for the discussion of the optimal economic policy. A recent questionnaire in HOSPODARSKE NOVINY on the subject of the decline of production and threats to economic reforms clearly showed the wide differences

among the views on current developments. The only point of agreement was that the decline in production was bad. However, whether economic policy should react, and if so how, produced widely differing opinions. The conclusion is clear: The difference of opinion on this topic means that there is plenty of room for discussion. The article that follows tries to show, based on both theoretical and empirical findings, that no significant change in the level of macroeconomic restrictions and overall guidance of economic policy is desirable for the successful continuation of reforms.

The dominant trends in macroeconomic developments in the first half of the year were, on the one hand, a decline in aggregate demand, and on the other hand a decline in production or aggregate supply. The decline in demand has a series of reasons. All components of demand participated: demand of households for consumer goods; demand of enterprises for investment (plant and equipment); government demand (the restrictive government budget and limitations on budgetary expenditures), and last but not least a decline in the demand for Czechoslovak exports on many traditional East European markets. This kind of a demand decline would have caused problems for any developed economy, so in this regard we are no different.

The reasons for the decline in demand are clear.

- Limitations on real household income caused by an increase in the consumer goods price level that exceeded growth of nominal wages, including the hoarding that occurred prior to price deregulation.
- In the enterprise sphere, a tightening of conditions for financing investment projects, made up of significant reductions in subsidies for capital investment from the government budget, and market interest rates for loans charged by lending banks.
- In the government budget, both an overall restrictive focus of budgetary policy, and a significant reduction in budgetary expenditures as a percentage of national income (this year the decrease is estimated at 12 percentage points).
- The transition to payment in convertible currencies affected Czechoslovak exports to East European countries, and was exacerbated by the significant decline in economic activity in this region (production declines of 15-20 percent).

There is less agreement as to the reasons for the decline in production. Basically, however, it is a matter of placing different emphasis on reform and non-reform factors. The main reform factors affecting the production decline were excessively restrictive government policy, a too rapid pace of privatization, excessive devaluation, and the absence of an industrial policy involving government support for "promising" sectors. The main non-reform factors included the negative shock of the

loss of traditional markets in conjunction with worsening exchange relations and difficult marketing situations on the markets of the developed market economies. These in turn stemmed from slowing economic growth in these countries, accompanied by protectionist measures and quotas limiting access to their markets.

Recently published calculations by the Federal Statistical Office [FSU] show the extent to which the disintegration of major export markets might cause a decline in production. Even though these calculations did not take account of the possible impact of slowing economic growth and quantitative limitations in market economies for Czechoslovak exports, the impact of the non-reform factors was not insignificant. The reform factors were also highly significant. What do these conclusions imply for future economic policy?

### Growth of Production, or of the Price Level?

Those who hold the view that it is not necessary to change the basic strategy of government policy usually make the argument that a decline in production was anticipated prior to instituting the reforms, as well as the obvious consequences, and that therefore this is not a surprising phenomenon demanding a correction in economic strategy. This view is correct, but there are much more powerful arguments for the necessity of maintaining the restrictive focus of economic policy.

If action were to be taken as demanded by critics of the restrictive policy, the result would be that the level of economic policy restriction would be de facto determined by the extent of the inability of the enterprise sphere to react to ongoing changes in the economic environment. In other words, the less capable enterprises would be of actually adapting to changes in demand (meaning the adaptation of production programs, employment, investments), the greater would be the pressure on the government budget, and therefore on the banking system, to make monetary adjustments.

Behind every request for the government to change its policies is a request for additional resources. If these resources are to be provided by the government budget directly, the budget would certainly go into deficit (since opportunities to increase government revenues are for the time being very limited), and the government would go further into debt with the banking system as well. This debt can be financed either through the issuance of government bonds (meaning that the government covers its debt using the savings of the public) or by issuing money (in which case the banking system ceases to perform the function of assuring a stable currency and becomes a fiscal agent of the government.)

In both cases the result is a reduction in either the volume or the value of savings (printing money causes an increase in inflation and a devaluation of deposits), which appears negatively in the volume of financial resources available for investment. The negative consequences for future economic growth are clear.

Honoring requests to change economic policy to make it more flexible and adaptable to specific, changing conditions is a far greater threat to economic reform than a decline in production in the first six months. Taking account of the specific conditions of a region or of individual sectors may seem justified in view of the seriousness of the problems, but because this "taking account" in the final analysis always means an attempt to obtain additional resources, or to reduce the costs of obtaining them, it amounts to a denial of the very principle of the necessity of macroeconomic restrictions, which are the central pillar of the reform strategy. No one doubts this strategy, with the exception of a few orthodox Keynesians. The demand to reduce restrictions would be much harder to make explicitly than it is in its implicit form of requesting that account be taken of certain specifics.

Let us look more closely at the reasons that macroeconomic restrictions are currently more important than ever before. During the first six months the first positive results were achieved in limiting aggregate demand. Price increases in June were for the most part stabilized, the decline in savings was stopped, and there were favorable developments in the balance of payments and the government budget. Above all the evolution of savings, which began to grow again in April, points to a certain positive shift in the faith that the general public has in the government economic program and its determination to hold the line on prices. This shift in public expectations is a very important element that contributes to the potential for future economic growth. Without price stability people would continue to draw down their savings, as households did earlier in the year. This would reduce the money available for investment.

Experiences of other reforming economies (not only European, but Latin American as well) show clearly how difficult it is for the government to win public confidence in this area and how quickly that trust can be lost by letting up on restrictions too early. Six months of a restrictive policy is a very short time for any significant changes in public expectations. The public remembers the continuous increases in prices in January more than the stability of the prices in June.

Lifting restrictions (increasing budgetary expenditures, further reducing interest rates), under the current conditions of a still unreformed economy with a predominance of government enterprises enjoying a monopoly or a dominant position on the domestic market, would lead only to an increase in the price level, not to the expected increase in production. It could also result in an increase in the production of goods for which there is no demand, which would result only in an increase in inventories. This is exactly what happened last year in Poland. After successfully reducing the hyperinflation of early in the year restrictions were lifted somewhat in the summer, with the result of another increase in the price level. Production in the meantime continued to decline.

Without a significant increase in the economy of privately owned companies seeking to maximize their profits it is not realistic to expect that any stimulation of demand will lead to any significant positive reaction on the output side.

### Monetary Policy

The preceding lines can give the impression that everything in the area of economic policy is in order and that restrictive policies and the economic reform will be successful by solely monitoring and limiting demand. The opposite is true, as shown by the example of monetary policy. Classic limitations on the granting of credit as practiced in market economies, under the conditions of the Czechoslovak economy, can have consequences that are different from those intended. For credit restrictions (or monetary restrictions) to accomplish the desired results, they must be efficient.

Our banking system, however, is still marked by its previous role as fiscal agent for the government, when it served practically only to finance the needs determined by the plan and to finance government expenditures. These accumulated assets have very little liquidity for the banking system at the present time, and often are inaccessible for all practical purposes. These assets were financed for the most part with very "hard" liabilities, the deposits of citizens.

The unclear profitability of bank assets can in a very fundamental way affect bank decisions on granting new loans, and thereby currency policy as a whole. The problem is that bank behavior under these conditions is to a large extent affected by factors other than mechanisms of monetary policy, which has a negative impact on the effectiveness of the policy (for instance the attempt to continue to provide credit to inefficient and indebted enterprises to prevent them from failing, thus causing a financial loss for the bank which is the creditor of the enterprise).

Because the enterprise sphere will clearly not be capable of meeting all its obligations to the banking system, there are only two alternatives. Either the government owns up to its "fiscal" debt, or there is a temporary decline in the value of deposits (which represent mainly deposits of the general public). A possible third solution is for the depositors to participate in the improvement of the enterprise sphere, meaning the granting of additional

loans so that the companies can become more profitable and eventually pay off the loans.

One can agree with the view frequently expressed by economists from Western countries that the banking system will not be able to perform its function properly until the decisions of a bank reflect only the results of its decision making concerning the allocation of credit resources based on criteria of the effectiveness of an investment project, and until the banks are no longer weighted down with uncollectible or nonperforming receivables inherited from the past regime. Bank decisionmaking will continue to be guided by attempts to minimize eventual losses of assets invested in inefficient projects, and these efforts will be financed with credit resources that would otherwise be available, for example, to newly established private companies with a guarantee that they would be utilized more efficiently. A banking system not encumbered by its prior parafiscal role is an essential precondition for its effective functioning in the sense of allocating limited credit resources to investments with the highest expected return.

### What Stimulates Supply?

The goal of economic reform in the final analysis is to assure long-term economic growth and an improving standard of living for the public. Critics of government policy point out that the current declines in production must be stopped, because otherwise economic collapse looms. The mechanism for avoiding this collapse is, what else, an expansionist policy, even though it is often called by other names (industrial, agrarian), from which could quickly come for example a food policy or a potato policy. All these proposals are united by a single belief—that there are underutilized resources in the economy for which there is only lacking a demand, because the restrictive policy of the government is too limiting. [passage omitted]

After 40 years of making a fetish of economic growth as the main objective of economic policy, without regard for other goals, it is difficult for some people to come to terms with the fact that a successful economic policy can be consistent with a temporary decline in production. To concentrate at the present time on renewing growth at any cost and to lift the macroeconomic restrictions would not only not bring the desired results but would also compromise the most important result of the reforms this year—stabilization of prices.

### **MDF Faction Meeting on Internal 'Tensions'**

91CH0878A Budapest *MAGYAR HIRLAP*  
in Hungarian 24 Aug 91 p 3

[Article by Zoltan Lovas: "Two-Day Meeting of Hungarian Democratic Forum Faction: Problems of Government Party To Be Discussed?"]

[Text] This spring the press was preoccupied with the Rebellious Fifty-Two or with the tension that had surfaced within the MDF [Hungarian Democratic Forum] faction. The faction's situation has not changed much since then. Maybe this weekend the founders of the Democratic Forum will speak plainly at last.

Saturday and Sunday the Hungarian Democratic Forum's group of parliamentary representatives held a faction meeting in the Danube chamber of the Gellert Hotel.

Rumor has it that Jozsef Antall, party chairman and prime minister, will open the meeting. He is followed by faction member Geza Jeszensky, minister of foreign affairs, who presumably will discuss international events of upcoming days and weeks, or Hungary's reaction to them. Sunday morning there may be time for worthwhile work, followed by lunch and Antall's closing speech. In any case, present leaders of the party do not expect a substantial change to occur in the faction's command. After all, it is indicated on invitations to the press conference that Dr. Imre Konya, chairman of the representative group, will serve as spokesman.

In any event, a lot of preparation goes into the two-day meeting's agenda and organization. Witness to this is the past week's work session of present MDF faction directors, who met in session Friday from early morning to afternoon. According to persons close to party leaders, conduct of the faction meeting may be similar to that of the national MDF reunion, where the speeches of high-ranking party directors used up most of the meager time available.

Analysts here at home have discussed tensions within the Democratic Forum faction for months. If there is sufficient time and desire to talk this weekend, then the following issues may crop up:

- The decision that raised such a storm at the most recent session of the MDF's 88-member national administrative board concerning the so-called white books, which may serve to expose to public contempt those found guilty of crimes of the past.
- The case of MDF representative Csaba Ilkei, whom the party in recent times has not considered an actual MDF representative and who now openly confronts the government party.
- The unquestionable case of intrafaction opposition linked to the names Csapody, Beke, and Elek.

—The slow decrease in faction membership and—in this connection—the "maidenhood" experienced by Mihaly Kupa in the first round or the idea of possibly switching to another party.

—The chronic tension between faction leader Imre Konya, faction manager Andras Salamin, and faction secretary Istvan Balas.

—Finally, the anomaly of prizes periodically meted out to faction members; this means greater sums for individual faction members with higher incomes.

### **MDF Removes Balas From Faction Leadership**

91CH0878B Budapest *MAGYAR HIRLAP*  
in Hungarian 26 Aug 91 p 1

[Unattributed article: "Hungarian Democratic Forum Faction Dismisses Istvan Balas From Chairmanship"]

[Text] At yesterday afternoon's press conference Imre Konya, head of the MDF [Hungarian Democratic Forum] faction, reviewed the work performed by the group of representatives at the extraordinary session last weekend. Jozsef Antall, Peter Boross, and Geza Jeszensky addressed the faction and MDF mayors on Saturday. Imre Konya described the faction's eventful past year. This was followed by the speeches of 30-40 representatives, and a general debate ensued, said Dr. Konya. "It's difficult to summarize, but the essence was: Do the same thing, but more assertively," said the faction leader.

Most of the press conference revolved around the Salamin vs. Balas controversy. Kalman Katona, representing the party faction's accountancy committee, said that according to an independent expert's analysis faction secretary Andras Salamin basically could not be accused of misuse of authority. On behalf of the faction's ethics committee, Gyorgy Banffy reported that analysis revealed Istvan Balas's portrayal in the press harmed the party faction's prestige. Imre Konya announced that on the basis of all this Istvan Balas was dismissed—after secret balloting—from the chairmanship of the faction's group of representatives. It is interesting that only a portion of the faction's 160 members cast votes: 72 in favor of Balas's dismissal, 19 against, and five noncommittal.

Even before the press conference began, several representatives heatedly objected that the postulation—according to which there was something peculiar about the rewards granted to faction members—made beforehand in our newspaper did not hold water, that there were no such peculiarities, and that faction members received no rewards of any kind. They argued that such gossip is politically harmful, because the voters talk about nothing but the allegedly high income of parliamentary representatives.

**Political Past of MDF County Chief Attacked***91CH0878C Budapest NEPSZABADSAG in Hungarian  
23 Aug 91 p 6*

[Interview with Hungarian Democratic Forum, MDF, county chairman Lajos Bodzas by Peter Kovary; place and date not given: "He Who Sympathizes With Association of Democratic Youth: Is MDF Chairman of Bekes County Persona Non Grata?"]

[Text] We could say that it is an internal affair of the MDF [Hungarian Democratic Forum] if for essentially political reasons a difference of opinion arises between a municipal branch and the county chairman. Rumor has it that the MDF Csaba office regards its county chairman, a former member of the MSZMP [Hungarian Socialist Workers' Party], as persona non grata. DELEKELET, an independent weekly published in Bekescsaba, claims that the smallholders—led by parliamentary representative Geza Zsiros—who symbolize definitive power in the Stormy Tower will not sit at the negotiating table with the MDF's Bekes County chairman.

**Background to Controversy**

We asked Lajos Bodzas, the chairman under attack, about background to the controversy.

[Bodzas] I am convinced that some members of the Hungarian Democratic Forum in Bekescsaba quite simply do not understand that we are no longer in the opposition but rather one of the most significant governing powers responsible for the entire country.

[Kovary] Is it a principle that when things do not go the way they should, those who possess power begin to seek enemies in their own ranks?

[Bodzas] At least the multitude of historical examples suggests it is, but I would not limit the explanation of our present conflicts to this one cause. It is fundamental that a majority of those who vote for the MDF and even a significant part of our party's members did not and could not know what the change of regime would really mean, what problems would ensue, and how bitterly long it would take to repair the damage of 40 years.

[Kovary] As a former MSZMP official, you are blamed for having actively inflicted some of that damage, and the MDF is now unable to carry its appropriate political weight in the county because the county chairman is a man with an unclean past. What is your opinion of this?

[Bodzas] There are two different issues here. One is my political past. I was a business executive, the head of relatively small production units. I joined the MSZMP when I saw that things were going well. The other issue is that I never held any office in the state party. I was not a party secretary, nor was I a militiaman, as the current rumor about me goes. When I finally realized that the system was bad—people who meddled in purely economic questions did not shoulder responsibility for the results of their decision—I resigned from the party. This

happened in 1987. A year later, under the influence of the Lakitelek Declaration, I joined the MDF where today, like me, several former MSZMP members work in the front ranks. I became chairman of the Bekes branch, and later I was Istvan Csurka's campaign manager. As far as the other half of the accusation is concerned, what is meant by carrying appropriate political weight in the county? Intervening directly in appointments, the way Geza Zsiros does, for example? But that's the very reason I left the MSZMP.

**Torgyan and Zsiros**

[Kovary] Rumor has it that the bad relationship between you and Geza Zsiros began during the free elections in the spring of 1990. In concert with seven other MDF branches, you also expressed your view to Jozsef Antall, who was not yet prime minister, that the Hungarian Democratic Forum should form a coalition with FIDESZ [Association of Democratic Youth], not with the smallholders.

[Bodzas] On the one hand, we did not view FIDESZ at that time as the liberal party it is today but as the party of Hungarian youth, and it was vitally important for us to bring young people into our camp. On the other hand, we regarded the smallholder leaders, especially Geza Zsiros and Jozsef Torgyan, as unpredictable politicians with whom it would be risky to cooperate. In that respect, I think we've been right so far.

[Kovary] In any case, that viewpoint will soon be described as leftwing within the MDF. What presumably plays a role in all this—in addition to your former membership in the MSZMP—is your banishment from the MDF office in Csaba and the preparations to file against you a motion of no confidence.

[Bodzas] All that is journalistic exaggeration. Nobody was ever banished from the Bekescsaba office. Then again, I have never concealed my leftwing propensities—leftwing, of course, in comparison with the MDF's more and more vociferous conservatism. I don't deny I would consider it tragic if the MDF continues to drift to the right of center. I emphasize once more the cause of controversy: some members of the Democratic Forum confuse their pipe dreams with reality and are unwilling to admit that neither we nor the smallholders but rather the independents won the local elections. Whether I remain chairman or whether I am dismissed does not alter this fact—and the Csaba branch shows few signs of wanting to dismiss me.

**Political Past**

[Kovary] Csaba's MDF representative, Zoltan Szokolay, whose parliamentary efforts you most vigorously promote, said that in all likelihood the MDF county branch will choose a new chairman this autumn.

[Bodzas] That's true. Incidentally, this honorable representative once mulled leaving Csaba for another MDF branch. A new chairman will be chosen, but not because

of my political past or attacks by MDF members. Zoltan Szokolay did not mention that. Efforts are now under way in the MDF to bring our parliamentary representatives into the county branches. I would like to stress that the Hungarian Democratic Forum still wants to implement fundamental changes legally and constitutionally. It will make no concessions to those forces that urge "striking a blow," thereby scaring off the intellectuals without whom the change of regime cannot be successful.

### Norwegian Involvement in Privatization Process

91CH0946A Oslo AFTENPOSTEN in Norwegian  
3 Sep 91 p 34

[Article by Aasmund Willersrud: "Teaching Hungary Privatization"]

[Text] Budapest—The Norwegian consulting firm of Hartmark-Iras/PA Consulting Group and Den Norske Bank have gained a foothold in the privatization process in Hungary with a new concept.

They want to "dress the bride" first and then sell the state-owned enterprise as a more attractive investment object.

The privatization of more than 2,000 old-fashioned and unprofitable state-owned enterprises—the inheritance from the old socialist system—has got well under way in Hungary. A total of 127 companies have already been sold, and another 223 have reached the second stage in the process.

This large-scale transition is the subject of much discussion here, as in most other former socialist states. The strategy has often been to sell as fast as possible at fixed, low prices to avoid losing any more time. Critics of the government claim that, in many cases, it is thus wasting the nation's property at absurdly low prices.

### Experts

Hartmark-Iras has now got involved in the process together with Den Norske Bank, which has set up an office in Budapest together with other Nordic major banks under the name of the Scandinavian Banking Partners. This takes place in recognition of the fact that it pays to have international expertise perform the basic operation of reversal. To begin with, the group won the bid for the reorganization of the large Rugev concern. In keen competition with the largest and best-reputed Western consulting firms. The contract is worth three million kroner to the Norwegian group. Considering Norway's very modest trade relations with Hungary, there is reason to take note of the project. While 270 Swedish firms are established here, there are less than 10 Norwegian firms.

The plan was formally approved by the SPA—Hungary's state-owned privatization office—before the weekend,

and the Norwegian cooperation group has been asked to become their permanent consultant during the remainder of the process.

"We consider this seriously but want first to concentrate on the completion of the Rugev project," Ola Lonnechen of Hartmark-Iras tells AFTENPOSTEN.

He points out that the insight and knowledge of local conditions utilized by the representative of Den Norske Bank—Thomas Tangstrom, bank manager—have been crucial to the resulting breakthrough for Norwegian consulting activities in this, the most developed, part of East Europe.

### The Market Vanished

The problem enterprise handled by the group is quite typical of state-owned industries in postcommunist societies. For years, the Rugev concern was Europe's largest producer of bicycle parts and industrial sewing machines to other Comecon markets, primarily the Soviet market. As these vanished in the transition to new economic relationships and pure hard-currency trade, Rugev found itself in acute difficulties. Virtually deprived of all of its markets, the firm was left with 1,800 employees, a surplus manpower of 100 percent, old-fashioned products and completely run-down production equipment. In other words, without the ability to compete in new markets in the West.

"We realized at once that this firm had to have a foreign partner," says Ole Lonnechen.

"However, it will first have to be rebuilt from the bottom, with new standards of competence, retraining programs and restructuring. The old leaders had not been trained for a market economy and hardly knew of marketing. The former managing director resigned on his own initiative, saying that he did not feel inclined to participate in so many dismissals. A total of 900 employees will have to leave Rugev, and the eleven old production departments will have to be reorganized into more viable units. Only in that way may the other 900 jobs be rescued. The unemployment rate is already at 5 percent and is expected to increase further. At the same time, living costs are increasing in step with an inflation rate that is expected to reach 38 percent this year."

### Courses

Lonnechen and Tangstrom view the competence that is being utilized by people downward in the steering system as one of the potentials of the enterprise. They have already carried on intensive course activities and have taught them everything from the bottom about how to make contact with foreign banks and how to prepare credit reports as well as the basic ideas of international marketing.

"The most important thing is that we teach the enterprise to operate independently and to act with self-confidence in a competitive market," says Tangstrom, who personally has roots in Hungary.

"It is probably the first time here for somebody to undertake a reversal operation first and then sell afterward," says Lonnechen.

"We have presented a price calculation based on international standards and shall try to find Nordic investors who can go in and take over when the operation is completed. It is a question of a capital investment of no less than 20 million kroner," he says.

Lonnechen and Tangstrom, nevertheless, do not conceal the fact that the project involves considerable risk, even if the authorities arrange everything to attract foreign capital. Among other things, full tax exemption is offered for up to 10 years, green light has been given to export of profits, and there are no hindrances for foreigners who seek 100 percent ownership.

#### **Financial Ltd Offers 'Standing in Line' Relief**

*91CH0921D Budapest REFORM in Hungarian No 36, 5 Sep 91 pp 18-19*

[Article by Maria A. Vargo: "Circular IOU's Could Help Clear Up Circular Delays in Payment; The Process of the BB-A, Ltd, Is Excellent, but Is There a Clean Abel Remaining?"]

[Text] Standing in line for cheap meat at the Obuda market, when forty of us queued up to material for Sunday dinner, is nothing compared to the lines extending between the purchasers and suppliers of our economic life. Where are the good old days (of four to five years ago, which makes them ancient history) when the practice was: "I delivered, sent the bill, received payment, and that was that." Nowadays producers deliver and the purchasers do not pay, saying that they too are waiting for payment. As soon as they are paid, they will pay their bills. In the meanwhile, the snake of debts is becoming longer and longer.

It is estimated that the total of sums owed is 300-500 billion forints. This phenomenon even claims as victims firms which could cover their debts if they were able to collect their bills. At the same time, the same practice enables firms to survive which have already used up their capital. The still-missing bankruptcy law (if it follows the Western example, that is, if it gives every firm 90 days to settle their bills) appears to be the only way to put an end to the practice. As of now, however, with bankruptcy proceedings taking as long as a year and a half or two years, the practice also victimizes firms whose only crime is that no one transfers a single penny to their account.

BB-A, Ltd., a financial consultant firm created by the Budapest Bank, came up with a process which could help

those management units who find themselves in desperate straits not because of their own mistaken deals or unsalable products, but due to the lack of fiscal discipline on the part of others. The BB-A would create so-called IOU circles. Each member of these circles would be owed a certain amount of money by others. With the aid of computers, which would synchronize the fiscal data of each partner, the smallest amount could be written off each firm's debt. If, for example, Erotic Salon owes two million forints to Bedroom Supplies, Ltd., who owes four million to Wooden Products, who in turn owes one million to Sylvan Saw Mills, then the BB-A's computer could swiftly write off one million from each of the parties' debt, because it would be able, without moving any money, to ease the outstanding debts of firms belonging to various sectors and banks, who have no information concerning each other. Getting rid of a million forints' worth of shortage costs a firm 60,000 forints; that is the fee charged for this service. To be more precise, a firm pays a 3-percent fee for the "ease-ment," because this amount is similar to paying an entry fee. The BB-A offers a suitably professional service, guaranteeing confidentiality and continuous updating of data.

There is only one problem with the idea: We feel that only honest firms will use the service, that is, those who have good intention for creating a responsible financial situation. It will not be effective in catching and disclosing the underhanded ones, who come up with millions of tricks in order to survive, even though they should have been eliminated long ago. On the other hand, if enough of the honest firms join the service, claims managing director Laszlo Acs, we could settle about 30-40 percent of the delayed payments. And, we might add, if every "victim" would join the service, in the end it would be possible to determine who cause the delayed payments. But can a pure Abel still be found, when it comes to financial affairs? And if so, will he make a move?

#### **National Savings Bank Cracks Down on Speculators**

*91CH0921C Budapest TALLOZO in Hungarian No 36, 5 Sep 91 p 1,704*

[Article by Agnes Gyenis: "Take the Money and Run! The National Savings Bank Changes the Rules of the Game"—article reprinted from VILAGGAZDASAG 27 Aug]

[Text] It appears that the OTP [National Savings Bank] is fed up with having its transfer accounts used by its clients for profiteering.

That is the reason (we were told by the Hungarian Telegraph Bureau last week) that account holders who regularly deposit at least 100,000 forints at the end of each month, only to withdraw the same amount at the beginning of the next month, can count on the OTP

discontinuing transfer service for them. (This topic was discussed by the TALLOZO.)

However, it is not the account holders' fault that the OTP has thus far failed to introduce transfer accounts that compound interests daily, which would preclude the opportunity for such profiteering.

We wondered whether a commercial bank could get away with introducing administrative measures that discriminate against some of their clients, and posed the same question to Agnes Balazs, managing director of the OTP.

It is not stated in a single sentence of the contract between the OTP and its clients that account holders cannot withdraw or deposit several hundred thousands or even millions of forints even several times daily. The financial institution, on the other hand, feels that individuals who base their calculations on interest profits are "ill-intentioned," because they use their accounts not in accordance with their original purpose. As for the OTP, emphasized Agnes Balazs, it suffers both financially and morally by paying a full month's interest on "migrant moneys" that are placed into its accounts for a few days.

Suspicions have also been raised that shrewd citizens use not only their own money, but also "play" with funds (at times amounting to millions) which are placed in their hands for a few days, realizing that this is one of the best methods for using money to make more money, and do it in a risk-free manner. Thus, the OTP's lawyers recommended a feasible way out, namely that said financial institution immediately request its clients who "abuse" the opportunities offered by the transfer accounts' present construction to cease shuffling their money around, and if they disregard that request, close their accounts. The OTP's responsible managers found this solution legally acceptable and correct.

The injured clients, of course, may take the OTP to court and demand the reinstatement of their accounts.

As a final point, our publication said: Why could not the OTP leave things alone for the next few months? After all, it is proposed that as of 1992 daily compounded interest rates be introduced. Agnes Balazs stated, however, that the OTP made its decision because of the growing amounts involved in these games, so that it would not be inactive and patient even for those few months. At the same time, due to the anachronistic methods of record-processing, we were unable to get an answer to the question: How much money, in fact, is taken each month from the OTP's pockets by these profiteers?

### **Record Production Threatens Sugar Industry**

*91CH0921B Budapest REFORM in Hungarian No 36, 5 Sep 91 p 12*

[Article by Zsoka Nagy: "Both Sides of the Sugar Mountain: Two Thousand Tons of Excess at the Kaposvar Factory; This Will Be the End of Our Sweet Life?"]

[Text] What is good for the customer is not necessarily good for the producer and the processor. This is especially true right now in the case of sugar. The Kaposvar Sugar Factory, which has the largest growing and marketing network in the country, introduced various sales in order to get rid of 2,000 tons of excess sugar beets, even at a reduced price. Of course, this pleases the customer; however, if the customer is also the producer, his joy will not be quite as great.

We are expecting a record harvest of sugar beets this year. This is true for the region from which Kaposvar buys its beets, and where they must harvest 500,000 extra tons. This is about one-third more than last year's crop. At the same time, the factory cannot accept more than 350,000 tons of sugar beets, even though the workers started their seasonal work in September, much earlier than usual. The excess sugar beets will be shipped to the neighboring Yugoslavia for processing. This could pacify the producers; after all, it makes no difference to them who processes their beets, as long as it is purchased from them. The only problem is that the factory must pay a 90-percent duty when bringing back the sugar processed beyond the border. To be sure, an exemption could be requested, but the factory received a reduction of duties only for about one-third of the sugar in question. Since the factory is also looking to make a profit, it must be careful not to let its resources dwindle away. It is too early to tell how this will effect the producers. If state subsidies will not be granted, their beets will be purchased at a reduced rate or with delayed payment; neither of which is a good solution.

This is a vicious circle, in which the discerning observer can witness the decline of the sugar market. Who will put the small pieces together? The merchants say that people will consume less sugar than last year. And I say that, if you can, stock up on sugar. After all, who knows if imported sugar will suit our taste. And that will be the end of our sweet life.

[Box, p 12]

### **Our Teeth Are Hurting...**

Our teeth are hurting... because of sugar. Before our dentists nod in agreement, we add that we are talking about economic pains, which cannot be handled with a drill, but may still be remedied by filling. The country has suffered another "blow," presenting the dilemma: What to do with a record sugar beet harvest? As we have been told, there is no market for 200,000 tons of sugar.

The price on the global market is presently around \$300 a ton, while according to domestic experts \$380 would be the minimum for profitable sales. So when it comes to sugar, there are two bitter possibilities: Either one sells it at a loss or stores it at a great cost.

According to the latest statistics, domestic consumption fell by 100,000 tons below the level we were used to for years. The explanation is terribly simple: The market for wine has bottomed out. In other words, the plight of

"wine-makers" has caught up with the sugar beet producers. In a way, this is not great problem. After all, it may have been the peak production of sugar processors that discredited Hungarian wines, perhaps for decades to come.

At the moment, it is difficult to tell how much sugar, and at what price, is the Soviet Union willing to buy from Cuba. It may even discontinue the "price-subsidy" extended to Castro, which meant that for years we, just like the Soviets, have purchased Cuban sugar at a price well above the global price. We do not know how much

sugar the Cubans consume. What is almost certain is that the unsalable stocks will result in declining prices.

This information is too late to help us this year. Similarly late is the lesson we have learned, namely that even Hungarian agriculture, so experienced in self-inflicted pain, cannot survive without state intervention. It is not up to us to say what is the best (or least harmful) solution to this dilemma. We might make one suggestion, though: This is another area where state export guarantees will be needed.

### Havel Comments on Relations With Czechoslovakia

92CH0050A Krakow TYGODNIK POWSZECHNY  
in Polish 22 Sep 91 pp 1, 4, 5

[Interview with President Vaclav Havel by Witold Beres, Krzysztof Burnetko, and Adam Szostkiewicz in Prague on 10 September: "The View From Hradcany Castle"]

[Text] [TYGODNIK POWSZECHNY] Your becoming president occasioned euphoria and joy in Poland. At rallies people cried, "Havel to the Wawel [royal castle in Krakow]!" Hope for a speedy alliance and cooperation arose.... Yet your first foreign visit was to Germany, and the subsequent months too did disappoint the Poles somewhat. How come? And how do you view this matter nowadays?

[Havel] Let me explain the situation in the past. I was the first noncommunist president in the entire Communist Bloc and had to consider carefully where to pay my first visit.

I could have gone to the Soviet Union, but I did not want to do it as it would look like preserving the old ritual, with the local province governor presenting himself to the tsar. I could also have gone to, say, the United States, but that is far away, and that would be very complicated. I had therefore to go to some neighboring country. I considered Poland, but I was not certain whether, in a situation in which General Jaruzelski as the head of state would be my host, this might have been interpreted as a kind of support for the martial law there on my part. Later, however, I did visit Poland and hold frank talks with Gen. Jaruzelski and we even understood each other.... But in those early days I was not sure what impression this would have produced on the international scene.

As for Hungary, the elections did not yet take place there at the time and communists had been in power, but it was obvious that after the elections they would cease to rule. So, at the time, that too would have been an equivocal visit.

That is why I decided in favor of visiting both German states. I spent half a day in East Germany and half in West Germany. In this way I wanted to somehow greet that Europe in the process of uniting itself. It is precisely to the collapse of the Berlin Wall that we owe to some extent the fact that our own revolution could be so rapid and calm. That was, properly speaking, one of the preludes to our revolution.

I wanted to salute the idea of European unification. But I definitely did not intend to say thereby that psychologically the Germans are closer to me than Poles—that they are closer to me than others. It is simply that I had to do so owing to political and pragmatic considerations.

Later, after I already had visited Poland and addressed the Sejm, I explained in a way how that situation came about.

[TYGODNIK POWSZECHNY] But still some mistakes have been made as regards Polish-Czechoslovak relations, and by all the interested parties at that. For example, on both sides of the border separating our countries there still exist mutual prejudices and biases. Has something changed in this respect in Czechoslovakia following the "velvet revolution"?

[Havel] I am not aware of any explicit, glaring mistakes that might have been committed by Polish or Czechoslovak politicians.

Something else happened. Something that we hardly expected. We have long been friends with the leaders of Solidarity. After all, ever since 1978 we had been meeting at the border with Kuron, Michnik, and others.... We agreed in everything and the same ideals and ideas guided our resistance to the totalitarian system.

Later they visited me already in official capacity, as Sejm deputies, while I still had been a dissident. We had thought that, with the onset of our revolutions, once friends on both sides emerge on the political scene, the possibility of immediate cooperation between our two countries would arise.

Matters turned out to be more complicated, through no fault of any of us.

The fault is that of the mutual mistrust between our two nations, accrued over the centuries and discreetly promoted by the communists. It is traceable to deeper historical roots, but during the reign of communism the authorities created artificial friendship and brotherhood while at the same time imperceptibly sowing the seeds of mutual mistrust, in accordance with the "divide and conquer" principle.

And that is why animosities suddenly arose between citizens. Not among politicians but between citizens! Probably it was precisely these animosities that caused cooperation to be from the beginning not as good as we had imagined it. But we are doing something about it, improving it. Our cooperation is growing better. We are coordinating our policy. But that is taking more time than we had expected.

[TYGODNIK POWSZECHNY] Is the rivalry in the race to join the European community bad for our countries?

[Havel] During various meetings of our trio—President Walesa, the Hungarian Premier Antall, and myself, we agreed that mutual competition in that respect would not help any of our countries, and that we shall hold each other's hands while coordinating our actions, because if we three begin push and shove each other over who would be the first to enter the doors of the European structures, not one of us will enter. But if we march arm in arm, we shall enter them more easily.

And this is indeed happening. We are consulting each other about an agreement for association with the European Community, and nowadays we are practically seen

as a "triune" partner; that also was why not so long ago Poland, and recently also Czechoslovakia, suspended political talks on the association agreement after France had vetoed raising the ceilings on exports from our countries to those of the EEC.

And while at the outset they were prone to compete with each other in that respect, all the three countries—Poland, Hungary, and Czecho-Slovakia—nowadays have no such inclination. Nowadays they are indeed coordinating their positions and exchanging experience and, most importantly, take a similar position in the EEC association negotiations.

[TYGODNIK POWSZECHNY] You are the president of Czechs and Slovaks. Pragmatic considerations are certainly in favor of maintaining the present structure of Czecho-Slovakia. But you had always supported the nonpragmatic approach to politics, the eternal values. Do you understand the Slovak aspirations toward independence?

[Havel] I respect the right of nations to self-determination and independence. That is a fundamental principle. If the Slovaks desire to have a sovereign state of their own, that is their right. But they must take this decision in a democratic manner. That is why already last December I proposed to the parliament a referendum on this matter. I believe that such an important matter can be decided upon only through popular vote. My proposal was accepted. If the citizens of the Slovak Republic decide in favor of an independent country of their own, I shall respect their decision. That is for the first.

Secondly, I believe that this would benefit neither Slovaks nor Czechs. I think that this would have simply serious consequences to the coexistence of the two nations, to their economy, and to their inclusion in Europe [in EEC], and that also this would result in some destabilization of Central and East Europe. I believe that this would not be the optimal move in the present situation, and that this would not benefit Slovak citizens.

I personally am in favor of the federation. But this does not change the fact that I respect the right to self-rule, and if the Slovaks vote in favor of an independent country of their own, I shall totally respect their decision. I definitely do not intend to impose on anyone against his will one or another form of statehood.

[TYGODNIK POWSZECHNY] Who shall nowadays guarantee the security of Czecho-Slovakia? NATO? The Vysehrad Triangle [Polish-Czechoslovak-Hungarian alliance], or some other alliance?

[Havel] That is a complex problem. In this matter we are trying to coordinate our policy with other countries existing in a similar situation. This means, once again, above all, with our neighbors, Poland and Hungary. We desire, first, to strengthen our security by means of various bilateral agreements. We have signed an agreement with Italy, and soon we shall sign agreements with

France, with Poland, with Hungary, with Germany. We are also preparing an agreement with the Soviet Union.

Second, we desire to expand our cooperation with the North Atlantic Treaty Organization. When this coming fall we will meet in Krakow with President Walesa and Premier Antall, I would like to consider whether we could not offer some specific initiative for strengthening our cooperation with NATO. Could we perhaps propose some formal-legal solution, for example in the form of agreements?

We have also become involved in the Helsinki process. In that respect Czecho-Slovakia has proposed several initiatives. In the future that process could become the framework for some new European security system in which there would also be room for us. But that would require a great deal of work and many variegated measures.

Thus, we are trying to act simultaneously on several fronts. But the other postcommunist countries also are operating in a similar way.

[TYGODNIK POWSZECHNY] Poland has been characterized as having the best-developed structures of the civic society. However, following the first round of the presidential elections [in November 1990] accusations were let loose that the Polish nation "is not mature enough for democracy."

What about Czecho-Slovakia? Has the public here awakened following the "velvet revolution"? What visage of the Czecho-Slovak society can be seen from Hradcany Castle?

[Havel] When I view it from here, from Hradcany Castle, it seems to me that our democracy is indeed in its swaddling clothes; it is so fragile as yet. True, we have democratic traditions from the prewar period and, after the long hiatus, they are awakening. On the other hand, it also is true that citizens and politicians lack experience, that this nascent democracy is often so... crude.

Properly speaking, only now some political spectrum is beginning to arise in this country. In the previous elections democracy vanquished totalitarianism. But a genuine spectrum of political parties with different and distinct programs of action did not evolve during the couple of months separating the revolution from the elections. Properly speaking, it is arising only now. At the same time, however, the partisan quarrels about which we read daily in the newspapers often affect adversely the course of the economic reform and, in general, the resolution of all those great problems which we are facing.

Our next elections will be in June 1992. But even now we can observe distinctive signs of pre-electoral campaigning, with partisan interests often prevailing over public interest when it comes to taking various decisions. Compared with Czecho-Slovakia, Poland has a certain advantage in that it, since the rise of Solidarity, it had as

many as 10 years of time for the evolution of a civic society, though, to be sure, not without problems and complications. In contrast, in our country everything happened all of a sudden: We were ruled by the most conservative of communist regimes, and it suddenly collapsed overnight, as it were, so that we had to built everything from the scratch, lacking the prepared ground that existed in Poland.

[TYGODNIK POWSZECHNY] You have been criticizing certain manifestations of Western culture. But do you think that in the experience of the post-totalitarian societies, including yours, there is something of value that would even now be a valuable contribution to the new Europe?

[Havel] I have already stated repeatedly, even to in the United States Congress, that we can contribute something to the intellectual life of Europe and the world. That is because we have a certain specific experience of the totalitarian system, an experience foreign to the democratic countries of Europe, let alone the United States. As a result of that experience our society has formed a somewhat different perspective, the perspective of greater responsibility, of a certain understanding of supraindividual values, of a feeling of sacrifice, of a feeling for the common good. These are the values that grew strengthened during the era of dissidents, and it is they that are to represent our contribution to the common European awareness. That is because in the West European countries there exists the danger of loss of the sense of life under the pressure of continual prosperity, consumerism, advertising. In such a situation people lose their perspective as well.

It seems to me that it is precisely in our countries that something which could enrich our common awareness has developed. This can be observed through the medium of great works of art: a certain ethos is perceived when viewing Andrzej Wajda's films, "Man of Marble" and "Man of Iron." This kind of tangible contribution exists not only in the cinema but in the fine arts, in novels, essays, philosophy, etc. At present this is not so evident because the postcommunist countries are absorbed in new problems, in building democratic structures, in transforming their economies, so that no one is paying attention to this. But in my opinion that is a matter which should be properly appreciated in the future.

[TYGODNIK POWSZECHNY] Already after you became president, you invited the Dalai Lama and John Paul II to Czecho-Slovakia. How do you view the role of religion in the postcommunist societies?

[Havel] I believe that nowadays every support should be given to whatever is of spiritual value, to whatever is intended to bring to reason man and human thought, to promote the understanding that there exists a certain other order of things, something that is superior to us and does not allow us to do to the terrestrial globe whatever might be our fancy. Every support should be

given to what is the source of a higher responsibility; we are responsible to someone for our actions.

I think it very important to support spirituality and religiosity in today's world.

But I do not believe that religion should be turned into an ideology and politicized. Experience shows that all ideology-governed states are dangerous, regardless of whether their ideology is atheistic, such as communism, or based on some or other religious creed (let Islamic fundamentalism be an example), or nationalistic.

I believe that the era of genuine peace is opened by a civic society, a society in which each individual enjoys basic liberties, basic human rights, a society in which can coexist peacefully all ideologies, all religions, all views, without engendering any social or political conflicts.

[TYGODNIK POWSZECHNY] The antitotalitarian opposition is sensitized in the sense that to it ethics takes precedence over politics. Is that an obstacle to exercise of power?

[Havel] That is very difficult, but still possible. Were I certain that this cannot be done, I simply could not accept the office of the presidency. A great deal depends on form. That is because after one becomes the president one is no longer free to say the things he could say as an opposition intellectual. Of course, one can say the same thing, say simply what one thinks—the truth... but one must always be careful about the form, the language, in which he couches his thoughts. One cannot write something the way he thinks about it. One has to have a kind of tact, a kind of an instinct for choosing the right form in a given situation. This poses certain requirements as to education, taste, talent for diplomacy.

But still that is a question of form, not of content. Were I to basically renege on my former beliefs and ideas, I could not exercise my office. I would have resigned.

[TYGODNIK POWSZECHNY] Is governing detrimental to one's sensitivity as a writer? Do you believe that you still are capable of writing a play for theatre?

[Havel] Of course, I have not lost the hope to return to the writing profession. I even have drawn up the outline of a play which I would eventually write were I to have... the time for writing plays. For the present, unfortunately, I have the time to write my speeches. Last summer I wrote a little book containing my political reflections, but I have not authored any new play or essay. For the present I do not have the time for it, but at any rate I am absorbing a multitude of experiences which some day may prove of value when incorporated in some literary form.

[TYGODNIK POWSZECHNY] Not far from here is Zlota Alley, where Kafka used to live. Are not you apprehensive that this presidential castle from which you view the world might be the castle in Franz Kafka's eponymous novel, and that the present is some strange dream?

[Havel] Yes.... Once even, when I was receiving my honorary doctorate at the University in Jerusalem, I delivered an address on "Kafka and My Experience as President." Kafka has long been of interest to me. I feel a great attraction to him. As a result, I am intensely aware of any Kafka-like dimensions of the circumambient world. And of course, I also perceive them at my place of work. This castle is so huge. Hardly anyone is quite familiar with it, and I myself do not have a good sense of direction, so that fairly often I get lost in it. About 300 persons work in this castle, and I do not know most of them. This of course makes me think of Kafka and of associations with his themes. But of a certainty I would feel the same way if my offices were in some other building.

[TYGODNIK POWSZECHNY] Have you felt lonely here in Hradcany?

[Havel] Truthfully no. I rather look for solitude than suffer loneliness. The way things look I certainly do not feel isolated. After all, from morning til evening, there is always someone to talk with or who wants to talk with me. As a writer I was used to sitting home alone and writing. But whenever I felt like it, I would go out to meet people, have appointments with friends or go with them to a tavern. Now that is something I can no longer permit myself to do. I am forced to be with people from morning til evening, and to keep talking. It looks like my duties as president basically reduce to talking, all day long. Whenever I meet with some or other delegation, it is the most important person in the room who must keep talking, while the others stay seated and take notes. That is something I was hardly used to. Sure, I could be very talkative in the past, but at the time it was not my duty to keep talking from morning til late at night. In that respect I cannot complain of loneliness. On the contrary, I look for solitude and retreat into it whenever possible.

[TYGODNIK POWSZECHNY] Thank you for the interview.

[Box, p 4]

#### Havel About Kafka and Himself

Excerpts from the address delivered by President Havel in Jerusalem on 26 April 1990, on being awarded an honorary doctorate by the Hebrew University. (Polish-language translation by A.S.)

"Deep in my soul I feel certain that if Kafka had not existed I were a better writer, I could have myself written his books.... In Kafka's works I find a fragment of my own way of experiencing the world, myself, and my way of life.... Among the various forms of that experiencing there is the shallow, banal, and hence also blurred feeling of guilt, as if my existence were a sin. Then also there is an overwhelming feeling of alienness about both myself and the surrounding reality. Further, there is that feeling of an intolerable oppression, the desire to continually explain myself to someone, to defend myself, the

yearning for some unattainable order in everything, a yearning that waxes the more the ground on which I move becomes a quagmire.

"It also happens that I sense a need to assert my identity and then I become obstreperous, demanding of others that they respect my rights. Such outbreaks are, of course, completely unnecessary, but the reaction never is heard by the right ears and becomes forever forfeited in the black abyss.

"Whatever I encounter shows me at first its absurd dimension. I have the impression as if I were continually dragging myself in the wake of powerful, self-confident individuals whom I cannot overtake, let alone compete with. Essentially, I am filled with a pitiable hatred.

"I can hear a voice protesting that I am trying to model myself on Kafka, that in reality I am somebody completely different—somebody who is struggling silently and stubbornly for an ideal and who, thanks to his idealism, has attained the dignity of being a head of state.

"Yes, I admit that seemingly I may appear to be the exact opposite of Joseph K., the surveyor K., and Franz K., but I am not taking back anything that I said above. Let me only add that, in my opinion, the motive power behind everything that I have attempted is precisely my deep feeling of personal isolation, of lack of any support whatsoever, a feeling of being disinherited, a feeling of some fundamental alienation. Let me also add that it is precisely my desperate desire for order that is nudging me toward the most uncanny adventures. I would even say that, if I have accomplished anything in my life, it was in order to suppress an almost metaphysical sensation of guilt. Yes, as if the real reason why I am always creating and organizing something were to continually reaffirm my still questionable right to existence.

"One could ask, of course, how can a person thinking in this way become president. It is a paradox, but I must state that I am a better president than many others would have been in my place, precisely because at the innermost bottom of what I do there is always the doubt about myself and my right to exercise my office. I am so made that I would not at all be surprised if, right in the middle of my term of office, I were to be placed before some secret tribunal or seized and directly hurled into a quarry in order to crush stones. I would not be surprised either if I were suddenly to hear a bugle and awaken in a prison cell and afterward, genuinely amused, tell my fellow prisoners about all my adventures over the last half a year.

"The lower the level, the more proper my place, and the higher I am placed, the greater my suspicion that some mistake has been made....

"It may be that I have turned over for viewing more cards that I wanted and that my advisers will chide me for it, but so what, because I am taking this under consideration and deserve to be reprimanded. This

readiness of mine to accept the expected reprimand is yet another proof that my illusions will be more readily dispelled if I am always prepared for the worst."

### Elections Elicit Party Views on Economic Issues

92EP0008A Warsaw ZYCIE WARSZAWY in Polish 3, 10 Sep 91

[Article by Urszula Szyperska in two installments including statements made by various party representatives: "Elections 91: Proposals for the Economy"—previous installments from this series published in JPRS EER 91-150, 8 October]

#### [3 Sep p 4]

[Text] Most of the parties seeking our votes in October elections to the parliament favor a free market; a stable, convertible currency; overcoming the recession; increasing real incomes; and in general transforming Poland into an economically developed country. However, they take different views of achieving these goals, and their programs cater to different social groups. The five points of our questionnaire are intended to grasp differences between the programs of the most significant parties. We have asked our interlocutors about the following: their attitude toward a program of comprehensive privatization, the scope of state intervention, fiscal policy, ways to combat a recession, their attitude toward the tax on above-the-plan growth of remunerations.

Stefan Niesiolowski, chairman of the Parliamentary Club of the Christian National Association, member of the Main Council of the ZChN [Christian National Association], has the floor today.

—"We support comprehensive privatization, and we are in favor of extending it to as broad a circle of the public as possible. As we see it, the 400 enterprises to which the program of Minister Lewandowski referred are merely the beginning, the first element on which we are going to study the social consequences of such an undertaking.

"We believe that privatization should be carried out without excessive preferences for the employees of privatized enterprises because there is no reason for this. Likewise, privatization should not amount to distributing property to people who have money, since they have frequently acquired the funds through political or other connections with communism."

—"The belief in 'the invisible hand of the market' is naive. The state must have its industrial and agricultural policies. For example, Minister Syryjczyk pretended that the state does not exist, which brought the results we know. In a situation in which the role of the state sector was tremendous the minister, among others, became responsible for the election defeat of Prime Minister Mazowiecki.

"We may rely on the market when economic mechanisms are already operational, but in our country, the withdrawal of the state would mean poverty for many people who cannot be blamed for taking jobs at the juggernauts of socialism. Likewise, I cannot imagine a lack of agricultural policy. To this day, agriculture in the West is protected by means of subsidies and customs barriers. Some countries subsidize their agriculture to the tune of 60 percent. In a competitive environment, our agriculture will not stand a chance without subsidies.

—"We are in favor of reducing taxes. This improves the economic environment and makes it possible to overcome the recession. At the same time, it provides social protection more effectively than high taxes.

"Our party is geared to a profamily policy as much as possible. In view of this, we believe that family allowances should be very high. In the case of a woman who has three children they should be more or less on par with the average wage because rearing children is the work of this woman. We also consider improvements in the housing situation to be very important. We come out in favor of a maximum of relief and preferences for housing construction, especially cheaper loans and an easier access to sites for construction. The introduction of land lot auctions has deprived most of those interested in building of their opportunities."

—"Among other things, combating the recession calls for protecting our own agriculture and industry, that is, customs barriers. Of course, this would be the case only with sectors which stand a chance, for example, the textile industry. At present, this industry is being finished off by shoddy goods from Singapore and Hong Kong.

"Cheaper credit and lower taxes, especially on production, are the next issues in need of resolution. We are also in favor of letting in foreign capital through the doors and the windows, and of not being afraid of it. If foreign entrepreneurs invest in Poland we should ensure every kind of tax relief for them. At present, they are also discouraged by a thicket of regulations which they need to overcome. This should be simplified."

—"Restricting wages by means of the tax on above-the-plan growth of remunerations robs the people of incentives to work, and the lack of incentives exacerbates the recession. A vicious circle emerges. We should discard this and replace the tax on above-the-plan growth of remunerations with, for example, dividends. This instrument is not needed at all in enterprises whose products are selling. We come out in favor of abolishing the tax on above-the-plan growth of remunerations and believe that this is one of the prerequisites for overcoming the recession."

#### [10 Sep p 3]

[Text] Deputy Wieslaw Kaczmarek, a member of the Main Council of the Social Democrats of the Republic of Poland, responds today.

—“I doubt whether we will succeed in introducing capitalism on ration cards in Poland. As far as the announced program of comprehensive privatization is concerned, it violates the law on privatization. The law says that all citizens are entitled to such ‘cards’ rather than only adults. In addition, under the law, the issuance of certificates or other solutions require a decision of the Sejm. Meanwhile, the program is being presented as pre-ordained, and it would be difficult to revise it now. We are awaiting an addition to the concept in the form of measures which stimulate socio-economic processes after the implementation of the program, and primarily a draft law which will actually make it possible to set the program in motion.

“In a situation where state enterprises account for 80 percent of economic potential, there is no competition, and a modern finance infrastructure is lacking. This is why the need to privatize a substantial segment of enterprise appears obvious. All we may consider are the pace of this operation and the mode of carrying it out. We have succeeded in persuading the government to proceed from long-term managerial contracts in management until the enterprises are privatized. Signing such a contract means that an employee council restricts its decisionmaking powers in favor of the manager.”

—“The ideals of social democracy call for profound intervention by the state and its considerable involvement in the economy. We may allow ourselves some liberal laxity after we achieve a certain level of development.”

—“We favor high taxes which increase progressively, especially on luxuries, and strong social protection. However, when the economy is failing there is not enough money for education, health care, and housing construction. The economy holds the key to success in these sectors.”

—“Under the current circumstances, we should agree to live with controlled inflation. To be sure, this is a difficult task. However, a stream of money which will enhance investor demand has become necessary. This may be done by varying the interest rate on loans, which calls for discarding the doctrine of the positive interest rate on credit. We may also use other instruments, among others, investment preferences for both domestic and foreign capital. I am opposed to economic self-sufficiency, especially in areas in which others operate better, more intelligently, and more efficiently. However, we should know what we want to achieve and have some kind of vision; meanwhile, there is no such vision.

“To my mind, Poland should be an agricultural-industrial country, and should bet on the development of the agrarian complex. We should adapt to this end the industries which work for the needs of agriculture.”

—“The growth of remunerations may not outstrip the growth of product sales. Therefore, an economic recovery should come first, and the elimination or liberalization of the tax on above-the-plan growth of remunerations should come later.

“Recently, we submitted a package of drafts which were supposed to contribute to an economic recovery, including a draft for abolishing the dividend, a ‘sick’ tax founded on a fictitious basis. In keeping with this basis, computers that are several years old cost more than new ones following an reassessment.... Unfortunately, the government did not accept our proposals.”

#### **Election Forum: Parties on Environmental Issues**

92EP0032A Warsaw ZYCIE WARSZAWY in Polish  
18 Sep 91 p 6

[Article by Izabella Wit-Kossowska and Marcin D. Zdort including views of various party leaders: “Nature or Civilization? Elections ’91—The Campaign of Programs”]

[Text] The approaching parliamentary elections provide an occasion for a competitive clash among specific political programs. But it seems that none of the political parties and organizations so far has drafted a program answering all, or at least most, of the questions asked by voters. Few of these programs address the concerns of the public. Wanting to make the task easier for both politicians and voters, we shall present once weekly the principal social issues and ways of resolving them as proposed by experts representing the major groupings to compete in the elections.

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Polish copper reserves will, given the current pace of their extraction, last for 30 to 40 more years. This metal is processed into semifinished products, chiefly the so-called black copper, and for the most part exported.

The benefits from the sale of copper will not offset the ecological losses suffered by Poland in developing the deposits of that metal.

The sulfur industry ranks among the leading polluters. In Poland about 20 percent of the sulfur extracted is consumed domestically, chiefly in the production of sulfuric acid. The remainder is sold chiefly to the underdeveloped countries, because the highly developed ones have long since been producing sulfuric acid by desulfurizing their waste gases and fuels—and thereby, instead of polluting the environment, even protecting it.

Before the war the pyrite impurities in our coal had been used in producing sulfuric acid. This technology can be reintroduced, the more so considering that Polish engineers have built production lines of this type in the USSR. As for the sulfur industry, instead of relying on environmentally dangerous solutions, it wants to expand sulfur extraction.

The production of artificial fertilizers results in phosphogypsum wastes. A way of utilizing these wastes has not

yet been devised in Poland, so that huge dumps of phosphogypsums lie in Gdansk and Police.

At Police there is the danger that the mountain of phosphogypsums may collapse, because it is located on an unstable peat substrate. In May 1989 a section of the dump did indeed collapse and break at several places the wall protecting the Bay of Szczecin. An ecological catastrophe was averted by a hair, but the peril still exists.

One of the accomplishments of the "round table" was the creation of the "List of 800" in 1989. That list names the plants considered the biggest environmental polluters. The criteria followed in selecting them included their location in the vicinity of residential areas and nature parks. The "List of 800" is not a closed whole. It will be revised toward year end.

Plants in the 29 most threatened voivodships were selected. As a group they are representative of Polish industry, with 28 chemical plants, 14 metallurgical plants, and 12 power plants ranked foremost on the list. It is precisely these subsectors that pollute the environment most strongly.

The deadline for eliminating the danger represented by the selected industrial plants was set at the end of 1995. Some of these plants will be modernized and others partially or entirely closed. About 70 percent of the plants named are implementing their obligations. Of the remaining 30 percent a majority refuses to cooperate and their operations are becoming more and more environmentally dangerous. They include precisely the Chemitex Chodakow Chemical Fibers Plant in Sochaczew, the Polam Rzeszow Lighting Fixtures Works in Gwizdow Nowy, and the Gdansk Artificial Fertilizers Plant. To be sure, production at Polam was halted but the wastes that had piled up over the years have not been neutralized. The glass rubble contains mercury, whose vapors are toxic to the nervous system.

Three plants failed to adhere to a deadline which elapsed on 1 January: the Bobrek carbide plant and steelworks in Bytom and the Gliwice Coking Plant.

The Bobrek carbide plant is located close to a residential community in the direction of the prevailing winds. As a result all wind-blown impurities fly over Bytom. The plant is to be closed but its management appealed to the minister of environmental protection and later to the Superior Administrative Court. The appeal was rejected and at present the carbide plant is operating illegally.

The Bobrek Steelworks is to be partially shut down, but in reality this means that all its operations will be halted, because then it will become a money-loser. The management refer to the threat of unemployment; 3,000 persons will have to be discharged. At present the steelworks is paying a fine of 260 million zlotys daily (!) for emitting impurities, but the management's proposal to build a scrubbing facility was not accepted.

"Most plants want to build scrubbing or precipitation facilities in order to avoid being shut down. We do not approve this idea, because it is unprofitable," said the Director of the State Environmental Protection Inspectorate Zbigniew Kaminski. "Our industry is too ramified and inefficient in too many of its subsectors. Long ago quality has given way to quantity."

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### Intervention Is Needed

*(Electoral Catholic Action), Ryszard Czarnecki:*

We cannot tolerate a situation in which Poland becomes the garbage dump of Europe, with the rich countries (companies) wanting to dump toxic (e.g., radioactive) wastes in our country. This has been a familiar experience to us in recent years.

The state and local governments should tighten ecological regulations and resolutely tighten sanctions against plants which pollute the environment. This does not require any financial outlays.

Similarly, half-measures such as scrubbing installations should be abandoned in favor of a comprehensive long-term environmental protection. Intensifying the international cooperation on this matter with, e.g., Scandinavia, also is fundamental.

Likewise, the siting of "ecological risk" investment projects, if they are necessary, must be more rational. Environmental protection cannot be a domain for civic activity alone, whether that of the organizations of the "Greens" or pacifists.

Here intervention by the state is needed, but broader powers (and greater funding) of local governments also are indispensable. Poland's ecological degradation is unacceptable.

### Define the Priorities

*(Alliance of the Democratic Left), Roman Karol Broszkiewicz:*

I do not claim that we have a sure-fire prescription for a rapid improvement in the situation, because that is impossible. An objective and dispassionate treatment of the problem requires viewing it in the long-term perspective, in the entire complexity of its health, economic, social, political, and international aspects.

At the outset, the priorities ensuing from the dangers, costs, and expected effects should be defined through a discussion among specialists and the public. In this field there exist no easy solutions and there is no free lunch. Shouts and demonstrations will not solve problems of, e.g., the country's energy demand and, as a consequence, of the nuclear power industry and the attendant dangers. In a word, we want the problem as a whole to be considered rationally and the parliament to facilitate this through appropriate legislation.

**The Fines Are Too Low***(Liberal-Democratic Congress), Andrzej Długosz:*

It is not true that we have time for ecology and that first the economy must be healed and money earned, and only then pro-ecology investment projects can be sponsored. We simply cannot afford to wait. The money which is not spent on environmental protection will later have to be spent by the state on medical care, on treatment of children with congenital defects in Silesia.

The existing system is such that the fines imposed on polluting enterprises are transferred to the public budget and only thereupon used to fund pro-ecology investments.

We believe that these fines should be used to set up local funds. About 20-30 percent should be allocated for central investments. Let us also add that at present the fines for environmental pollution are ridiculously low.

Another unusually important issue is ecoconversion—in particular, the Scandinavian countries are interested in this form of aid to Poland.

**Eliminate the Ministry***(Citizens' Center Accord), Wojciech Włodarczyk:*

The degradation of natural environment had been one way of preserving the inefficient totalitarian state. The transition to the posttotalitarian form two years ago has not borne fruit in the form of treating natural environment as a value in itself and an economic value. That is why a new approach to this problem is needed.

We should begin by passing coherent legislation and working out the machinery of implementing it (an environmental monitoring and protection service). As part of the restructuring of the central government, the Ministry of Environmental Protection and Natural Resources should be eliminated and these problems should be transferred to the jurisdiction of the Ministry of Internal Affairs. Ecological education, that is, the inculcation of the proper system of values, is needed as the basis for changing the mentality of the public.

To halt environmental pollution, "untouchable" sites whose protection is important not just to the nation but to entire Europe should be created by means of special decrees. It is increasingly important to formulate the principles of waste management and its organization, and at the same time to protect this country against the importation of foreign wastes.

Ecological economics should become a fundamental consideration of cost accounting at all manufacturing and service establishment so as to allow for the cost of environmental depreciation. This is a basic premise for a rapid introduction of new technologies and methods for reducing the energy-intensiveness of the economy, as well as for the utilization of renewable energy sources.

**For a Pro-Ecological Policy***(Mazowsze Region Solidarity), Joanna Szymanska:*

The modernization of industry should consist in not only shutting down plants because they endanger the environment but also in promoting new plants that would respect the rules of eco-growth.

The next problem is the utilization of wastes. It is worth noting that the ecological menaces are not only the plants which manufacture mercury lamps and dump on their territory glass rubble from which mercury percolates into the soil but also the worn fluorescent lamps are deposited en masse in trash cans from which they migrate to municipal garbage dumps.

Inefficient management of artificial fertilizers and crop protectants is causing the poisoning of waters and soil. Such examples can be multiplied. The reasons for this situation are many, but undoubtedly the most important reason is the absence of an appropriate government policy.

That is why the priority objectives should be:

- The pursuit of a pro-ecology policy by the government.
- Universal respect for the requirements of environmental protection.
- Promotion of the ecological awareness of the public.

**For a Rational Management of Resources***(Democratic Union), Radosław Gawlik:*

We are in favor of a rational management of such natural resources as the deposits of copper ores or sulfur. As regards the former this should mean reducing the pace of extraction to one meshing with the pace of industrial processing of copper, improving the utilization of the accompanying raw materials, such as silver, and also recovering the metals contained in the postflotation wastes. Continued development of the deposits of copper-bearing ores should be combined with a program for saving the environment in Legnica Voivodship, which is one of the four areas of ecological catastrophe.

The development of open-strip extraction of sulfur should be discontinued, since that is resulting in a horrifying degradation of the environment, and attention should be paid to recovering sulfur from pyrites or isolating it in the installations serving to desulfurize waste gases, since we will have to build such installations anyway.

Nitrogen industry plants are among the worst polluters. For this reason, in addition to their lack of competitiveness compared with foreign plants, they require an integral restructuring.

We believe that, inasmuch as 70 percent of the plants named on the list of 800 polluters are following the

programs for improving natural environment presented to them, the failure of such three plants as the Bobrek steelworks and carbide plant and the Gliwice coking plant to cooperate is immoral. We support a consistent and thorough adherence to the laws governing environmental protection and the rights of man, especially in Upper Silesia. The postulate of adherence to law is fundamental so far as improving the country's ecological situation is concerned.

### Advertising in Campaign Strategy Analyzed

92EP0032B Gdansk TYGODNIK GDANSKI in Polish  
No 38, 22 Sep 91 pp 1, 4

[Article by Jaroslaw Zalecki: "Anatomy of the Electoral Campaign"]

[Text] Just as a producer has to resort to advertising in order to sell his products, by stressing their value and appealing to the imagination and needs of consumers and their financial resources, so a political party has to try and advertise itself on the eve of elections to seats of power.

The style of an electoral campaign is not, of course, the factor to which the future winner would owe his success. Many studies indicate that only several percent of votes are swung by style, with the remainder depending on the campaign program and the competences and image of the candidates. Even so, for Poland, just a few percent may be of decisive importance to some political groupings.

What is political propaganda? In the opinion of experts on this problem, it is above all "an attempt to influence the public with the aid of written and spoken words used as stimuli" (T. Parsons), or "a technique of affecting the society by means of marked oversimplifications" (J. Ellul). Sometimes propaganda is defined as "an activity consisting in operating with words, events, symbols, and personalities with the intent to support or attack some project, institution, or person in the eyes and minds of the public" (A. McClunga Lee).

West European sociological studies seem to indicate that propaganda is relatively ineffective with individuals having well-defined political views, and the more so with politically committed individuals. That is because the preferences of homo politicus are already well-developed and may shift only to a minimal degree. On the other hand, propaganda can be somewhat effective with persons having neutral views, to whom politics is a marginal preoccupation. That "silent majority" is the principal subject of propaganda, because, being the least well-oriented, it is most susceptible to being "shaped." It is precisely the need to court that electorate ("If I do not win it over, my adversary will") that causes the entire campaign to make sense.

### To Whom Is This Addressed?

Every political grouping faces the need to appeal to a particular segment of the society. The desire to appeal to the entire electorate condemns a party to electoral defeat, since the electorate as a whole is internally polarized. Thus, some recruit support among the big-city intelligentsia, others among persons with initiative, and others still court farmers or big-industry workers threatened by unemployment. The identification of the—broadest possible—category of people who are to be the principal base of support for future political activity is a crucial problem, and without it a rational and effective electoral campaign cannot be worked out. For one must know whom to address and adapt the available resources correspondingly.

The attempts to win over both the post-Solidarity forces and the post-communist ones, which have, as recent events have shown, no intention of entering into an alliance are not (apart from a few exceptions) a socially popular nor, the more so, effective measure. Voters like clarity. They want to know who, with whom, and why.

### The Anointing

The social engineering of propaganda in the developed democracies is familiar with and practices many techniques for wooing the electorate. A technique of influencing through context is known as "irradiation." In this case particular ideas and emotions are intentionally radiated from the persons and objects constituting their background. Many experiments have shown that if a prestigious individual is presented in a negative context, his prestige declines by several percent. In contrast, there is an increase in the social assessment of persons previously unknown but subsequently portrayed several times against a background of emotionally highly charged symbolism and in the society of individuals enjoying popular recognition. A joint photograph with Lech Walesa during the June 1989 electoral campaign was precisely that kind of irradiation, and it had greatly contributed to increasing the prestige of many Solidarity candidates riding on his coat-tails. Thus, during an electoral campaign a candidate may try to have himself photographed with the pope and visit places of religious worship, while his (or his party's) electoral offices are chock-full with images of national symbols and emblems and on television he is often shown in the company many prestigious individuals and "stars of the silver screen."

In that technique it also is important for the context to harmonize with the image presented. Thus a belt-tightening appeal to the public should be made by a person with the posture of an ascetic, shown against an austere background. Otherwise, the entire operation may fail. Delivering an address to farmers while being seated behind a desk likewise does not augur success. A candidate shown against the background of a modern barn or farm machinery would receive a much warmer reception than a "paperpusher."

West European electoral campaigns employ entire staffs of stage managers, psychologists, and social engineers who pay attention to the least detail linked to the context in which a candidate is shown speaking.

### One of Us

Similarly, "identification" and "stereotypicization" are generally used in electoral campaigns. The purpose of the former is for the candidate to identify himself with the electorate. His appearance, conduct, and manner of speaking, are similar to the lifestyle of a particular segment of the electorate. In the United States and West European countries many candidates, in seeking the support of farmers, refer to their rural or farm roots, on often citing rural anecdotes and, insofar as possible, speaking in rural dialect. But when they are about to speak in a university auditorium, the same candidates readily change their style and vocabulary so as to be taken for intellectuals.

Briefly, the point here is to promote the belief that the candidate is "one of us." To this is linked the oft-abused stereotypicization, which consists in knowledge of and skill at referring to the misconceptions and stereotyped rooted in a given segment of the society. Sometimes it may be the stereotype of the Jew, sometimes of an anti-Semite, and sometimes also the stereotype of the businessman or Masonic interests may be invoked. ("The hand that is destroying the country from inside, not from outside.") Stan Tyminski, who knew where and when to avail himself of the occasion and invoke stereotypes, was very good at such things.

### Abridging

In the process of winning popularity the "simplification," that is, abridgment technique is often used. The candidate strives to speak concisely and unequivocally so as to be understood by voters, with a single sentence tersely reflecting his program of action. Essentially this technique can be even interpreted as consisting in reducing political doctrines to programs, reducing programs to slogans, and reducing slogans to images. For example, as interpreted by Tadeusz Mazowiecki's electoral staff, Walesa's political program and conduct were reduced to the image of an axe. But in riposte Walesa's staff employed an image of a thick voter's tick which cannot withstand the blow of an axe. In electoral programs on television and on wall posters terse slogans such as "The Force of Tranquility!" "A New Beginning," "Let Us Win Poland's Future," "Stubbornly Forward," "Let Us Live Normally," etc.

### I Do Not Want To but I Will Have To

Also effective is the technique of "arguments pro and contra," which is concerned with articulating both the attractions and the defects of a political party but in such a manner that the pluses would outweigh the minuses. Voters appreciate such "objectivity" and are ill-disposed toward exclusively one-sided arguments. Here the basic

device is: "Better hurry and confess your faults yourself before they are spotlighted by the adversary."

In practice, "the principle of the middle" is often followed. Since most voters dislike extremes, whether negative or positive, one objective of the electoral staff is to shift every trait (of the candidate or the program) in the direction of the "central zone." As studies show, Poles do not approve equally of drunkards and teetotalers, but they approve of persons who drink in moderation. This is a social fact which should be taken into consideration in politics, in particular.

Thus, during the Presidential campaign in Poland, Walesa's staff did not deny the flaws in their candidate, admitting that he has autocratic inclinations, but it tried to shift that trait in the direction of the "center" by characterizing Walesa as "a democrat with moderate autocratic tendencies," "Self-assured and resolute, but, when the need arises, also reasonable," "Attached to religious and national traditions, but open to Europe and its values," etc. The opposing camp had nothing like that to say and characterized Walesa as "a black character" representing a mortal threat to Polish democracy, while at the same time it stressed only the positive traits of its candidate, which did not produce the intended results. A "Force of Tranquility" which lacks drama and is not offset by dynamism and resoluteness ceases to be a plus so far as the majority of voters are concerned.

### The Kick in the Head

Sometimes an electoral staff employs the technique of the "strong kick." Usually such campaign is commenced by stirring up emotions and in time the whole atmosphere is toned down upon increasingly employing rational arguments. That first "strong kick" attracts the attention of voters, who, their passivity disrupted, are forced to take a position (for or against) to the ideas proclaimed. This is how attempts are made to win over the "silent majority." A converse strategy is less effective, because it does not attract previously neutral voters to participate in the elections.

An analogy can be found also in Poland. Walesa's staff began precisely with what is normally termed "a negative campaign" and ended it rationally. As for Mazowiecki's staff, their nerves did not hold out and they acted conversely. This trend was reflected in the polls, which showed that with each day the chances of the former candidate increased and those of the latter decreased.

### The Electoral Hiccups

Electoral staffs sometimes make mistakes which result in the so-called boomerang effect, meaning that the effects attained were the opposite of those intended. First, there is the "success trap." It happens when endless positive accomplishments are being trumpeted. Crossing some socially sensed threshold of realism may produce an opposite reaction. The propaganda of success elicits the propaganda of destitution: from "We are living in a democratic and reformed country" to "Nothing has

changed." In abandoning objectivity we risk the possibility that the electorate also will abandon it.

The second mistake concerns lack of skill in adapting the program of action to the beliefs and values of the electorate. Studies have demonstrated that the public rejects ideas and planks which do not relate to its experiences or depreciate its system of values. To brand as ignorant the things that voters feel close to and value is not a good idea for candidates: They do not win over anyone thereby, and they only estrange many voters. Thus here the principle of respecting the traditions and beliefs of the electorate is important.

Lastly, the third boomerang effect is excessive propaganda. Frequent use of particular terms, symbols, or slogans detracts from their popularity and produces unintended results. Instead of attracting, they begin to repel. To the Polish public many until recently commonly cherished words and symbols have become devalued owing to overuse. A different kind of "boomerang effect" is, however, exemplified by the "axe" campaign, which, owing to frequent repetition, became a subject of ridicule but subsequently the term "axe" has begun to gain increasing approbation.

#### By Their Style You Shall Know Them

We are about to face another electoral campaign. What will it be like? To what extent will the techniques employed in the already developed democracies find application here? We shall obtain answers to these questions by tracing attentively the nascent campaign for the Polish parliament. Let us in this connection try to distinguish between healthy rivalry and ordinary manipulation. One thing is certain though. The nature of an electoral campaign is closely linked to the objectives of the campaigning party. Experience shows that if one such objective is to gain power, the campaign is stoked with emotional appeals and exploits social frustrations and the desire to negate the existing reality while at the same time emphasizing the faults and mistakes of the adversaries. On the other hand, if the objective is to bring about a particular social reality in the long run, the emphasis is placed on rational (though not unemotional) arguments and political and economic education. This refers to attempts to rally the public round its "common interests." A campaign thus conducted results in, along with winning parliamentary seats, creating a lasting rather than occasional social base of support and a good starting position for future elections.

#### Office of State Protection Organization Outlined

91EP0717A Gdansk TYGODNIK GDANSKI in Polish  
25 Aug 91 p 4

[Interview with Andrzej Milczanowski, chief of the Office of State Protection, by Aleksandra Ciechanowicz-Sarata; place and date not given: "Not a Public Office"]

[Text] [Ciechanowicz-Sarata] It continues to be unknown how the UOP [Office of State Protection]

operates, what it does, what its structure is, how many schools it has, and of what profile the schools are. In such a spirit, I asked Senator Zbigniew Romaszewski, chairman of the Senate Commission on Human Rights and Governance by Law, about the office which you direct. This is what I heard: "I think that the specter of the previous epoch weighs heavily on the UOP and the other institutions of the central administration. The very fact that it is not known how this institution operates is evidence that it technically operates in accordance with the principles of the previous epoch. This is a violation of the citizen's fundamental right to information."

[Milczanowski] The Office of State Protection was created under the authority of a Sejm bill dated 6 April 1990. The detection and counteracting of threats that strike at the security, defense, and integrity of the state are among its basic tasks. The world, and particularly the part of the world in which Poland is situated, is going through deep transformations. As is typical in periods of transformation, threats are arising to the stability of the newly arisen political and economic structures.

As a consequence, the UOP must react and provide information ahead of time, that is, it must warn the state's leadership of emerging dangers. The role of the UOP depends, moreover, not only on monitoring, but also on counteracting the extranational plagues of the modern world: terrorism, drug trafficking, and international organized crime, which is being felt more and more in Poland. Another important sphere of the UOP's activities is counteracting and detecting serious crimes against the state. Mainly, this has to do with incidents of espionage and economic abuse on a large scale.

It is well known that two basic services operate in the structures of the UOP: intelligence and counterintelligence. There is also an investigative section and other units such as observation, technology, codes, records, cadres and training, and analysis and information. (The last works with generally accessible, public materials). There are also logistical units: finance and administration and management.

I cannot reveal detailed data publicly. After all, these are services whose activity is to a significant extent secret. We operate under the control of the president, the government, and parliament. Public inspection of detailed data concerning the structure and activities of the UOP would be contrary to the logic of the office's existence.

[Ciechanowicz-Sarata] Why do you conceal the number of schools, their profile, and the number of students?

[Milczanowski] Certain details concerning training must remain secret. For the reasons I mentioned before.

[Ciechanowicz-Sarata] Are you not afraid that there are KGB agents in your department? That is a very real possibility.

[Milczanowski] I have answered questions of this type many times. Let's not raise demons with this danger from the KGB. The potential threat of infiltration always exists and not only from the KGB. The history of special (or, if you prefer, secret) services has known numerous and diverse incidents of penetration. The special services of other countries are not free from that threat. I want to assure you that we attach great importance to the issue of the UOP's internal security.

Taking full responsibility, I will state that the majority of UOP officers are professionals who like their work and are well prepared for it. I am convinced of their loyalty.

[Ciechanowicz-Sarata] What can you say about the "Katowice affair"? Let me remind you: activists of the KPN [Confederation for an Independent Poland] informed the local UOP that officers of the SB [Security Service] had supposedly armed themselves in the area.

[Milczanowski] I do not believe that there was any basis in the "Katowice affair" for raising doubts. Public opinion was informed of the course of the investigation in a timely manner. The KPN's information on the existence of an SB mafia in Silesia was not confirmed in the criminal proceedings conducted by the Prosecutor and the UOP. The expert appraisal of the Central Criminal Laboratory in Warsaw indicated that of the arms found in Bytom, three pieces were serviceable, however they had not been used for criminal purposes. The owner of the workshop maintains that he wanted to convert them to gas weapons. It was also confirmed that the suspect, Krzysztof M., had been dismissed from the SB at the end of the 1970's, and it was not substantiated that he had any connection with SB circles in later years. The court case will take place at the end of September.

[Ciechanowicz-Sarata] Do you think that no threat from the former SB exists at all?

[Milczanowski] I do not see any great threat. I cannot speak of any underground created by officers who failed verification. There is no proof of that. However, I have already said elsewhere that it is best not to call the wolf out of the forest.

[Ciechanowicz-Sarata] At a recent meeting of the citizen committees and the Center Accord, there were ominous-sounding demands for the creation of a strong state with a strong police force and a strong military. This last statement inevitably called to mind the PRL [Polish People's Republic], which was strong as a state, although it fettered its citizens.

[Milczanowski] In recent months one could perceive many contradictions, even in the bosom of these same political groupings. The originators of these opinions could best answer this question. I personally believe that in the process of building a democratic state under law, many views as to how it should be are being born. One thing is sure: a strong state must remain democratic at the same time. It must have a strong military and a strong police force if it is to function effectively.

[Ciechanowicz-Sarata] Do you not believe that it would be better were these institutions to be efficient rather than strong?

[Milczanowski] I cannot imagine an efficient police force that is not strong. The ideas of strength and efficiency are in this case inseparably united. To extract what is pathological from the life of society there must exist a strong executive apparatus controlled—and this is clear—by the president, the government, and parliament.

[Ciechanowicz-Sarata] In the United States, a commission has been appointed in the Senate and the House of Representatives that determines the budget for the special services. In other words, it exercises supervision over them. Who in Poland allocates money to the UOP?

[Milczanowski] The minister of internal affairs established our budget, and it amounts to a little more than 4 percent of the budget allocated for the expenditures of the entire department. This 4 percent is a sum which does not permit us even to cover the most necessary expenses. There has been a turnaround since the days when the Security Service was favored. The situation is dramatic. As an example, I will mention that we do not possess offices for some provincial units. There are also no resources with which to buy the most necessary equipment. In relation to this situation, I considered submitting my resignation. Can I demand of people that they perform their duties effectively and with complete dedication without guaranteeing them essential conditions of work? I spoke about these problems at the forum of the Sejm Commission on Administration and Internal Affairs. Today, I say this publicly. In spite of everything, many officers work hard and make sacrifices, often more than ten hours a day, with good results. Without exaggeration, I can say that in less than a year of activity, the office has attained significant achievements. However, the state of affairs is already such that few know of our successes, while our defeats are mercilessly laid bare, usually publicly.

[Ciechanowicz-Sarata] Has the Sejm undertaken some sort of work on a statute that provides for the division of the MSW [Ministry of Internal Affairs] and the UOP?

[Milczanowski] An appropriate government bill has been put together in the Sejm. The parliament will decide what its fate will be.

[Ciechanowicz-Sarata] Mr. Minister, what is your opinion on revealing the names of persons who were, or were not, former agents of the SB?

[Milczanowski] If you are asking about the position of the UOP on this issue, then the office is against revealing who was, and who was not, an agent. I understand that this problem pervades many circles. I want, however, to emphasize with all my strength, that this question should be approached very cautiously. One should be conscious of the fact that many people are in the SB's card indexes

without knowing anything about it. They were investigated in the course of conducting operations of the most varied sorts. Establishing a full and flawless list of SB coworkers is practically impossible. Part of the files were intentionally destroyed.

Also, it is not without meaning that the disclosure of these lists could lead to the partial paralysis of the services and, even in the best case, could considerably impair operational activities. Our coworkers would fear—and not without reason—that their names would be made public by future ruling groups. In matters concerning agents (and not only agents), it is essential to consider and consistently observe the principles by which all special services of any significance are directed.

### Commentary on Threats to National Security

91EP0710A Warsaw POLSKA ZBROJNA in Polish  
30 Aug-1 Sep 91 p 4

[Interview with Colonel Stanislaw Koziej, commandant of the Land Forces Department, National Defense Academy, by Lieutenant Marek Sienawski; place and date not given: "Of National Security Without Camouflage"]

[Text] [Sienawski] Our military forces could be prepared to assure our safety in case of a military conflict, within the framework of the general national security system. In order to fulfill this task they have to have definite and well-trained courses of action. Do they have them?

[Koziej] First, we have to define the types of threats. We were only accustomed to thinking of a threat of a great war between the two systems of power in Europe, which would involve also our territory, yet in a different dimension than today. Right now, in the changing European situation, we have to take into consideration different types of threats, especially those of a smaller scale, more diversified. This puts a much greater demand on our military forces than it did until now. Previously, there was only one direction, we know which, and the whole structure of the Army as well as its operational concepts were subordinated to it.

[Sienawski] From a purely military point of view we enjoyed a certain comfort that we were part of a great military alliance, the Warsaw Pact, performing a portion of its tasks. All in all, the threat was far away from our territory, while we were under a protective umbrella. Now this is gone.

[Koziej] Within that large system our tasks were clearly specified. Somebody above designed them. We were only executing certain concepts. Now, we have to work them out ourselves beginning with the highest level, the strategy. Until now there was no Polish strategy. And nobody talked about it. Everything was subordinated to the coalition strategy. That is why strategic and operational problems are most important to us right now.

[Sienawski] Can you say something more about them?

[Koziej] In the nineties we have to keep in mind several threats differing in quality. First, we cannot exclude a large scale war, an invasion of Poland, a conflict created because of various reasons by the neighboring powers.

[Sienawski] In the east it means the Soviet Union, in the west—Germany. This has to be said, after all, with no insult intended, since this is the natural configuration. Moreover, we are entitled to take into account any threat at all.

[Koziej] In my view, this threat is quite unlikely during the current decade. The military, however, have to take it into account and analyze it. It does not seem that Germany or Soviet Union would have any reasons to attack Poland.

[Sienawski] What, then, could other threats be?

[Koziej] They could be atypical regional conflicts, especially at our eastern border, connected with unpredictable developments in the USSR. If sovereign states are created along the eastern border of Poland, the situation will obviously change, although it does not have to whet territorial appetites.

[Sienawski] At this point, I would like to refer to our national doctrine. It says that we have to defend ourselves and that we have no aggressive intentions, which after all would be quite ridiculous towards the neighboring powers. An important question arises therefore: how to defend ourselves in cases of possible threats. We must not avoid the subject in fear of insulting the neighbors. On the contrary, they should know that we talk about it openly, that nothing is camouflaged, that we have fair intentions, and we have a right to discuss this.

[Koziej] We must not disregard any threat when we deal with the structure of our defense system. I would therefore add two other threats to those already mentioned, for which our military forces would have to be prepared. One is connected with the fact that Soviet troops are still stationed in Germany and in Poland. It is related to their behavior in case of great disturbances in the USSR, or a sudden turn in that country's situation. For example, those troops may get an order to immediately return home. It would create an uncontrollable and massive movement of troops across our country, often perhaps, troops that would be difficult to manage and command, troops in revolt. This is an atypical threat which will exist for a while and which requires our consideration.

[Sienawski] And the fourth, since you mentioned four of them?

[Koziej] It is future oriented, connected with the development of a collective security system in Europe. There are different Western concepts of the system. I have even read an optimistic one recently about creating such a system by the end of the current decade, at the threshold of the 21st century. We have to think now of the tasks that will await us in the future. These may be, for

instance, tasks of participating in peace keeping missions, or even in military expeditions, or conflicts which could arise at the borders of this system. An example could be a conflict in the Persian Gulf area. Our troops must be prepared for these types of actions.

[Sienawski] The military forces and the whole defense mechanism have to be built in relation to these threats. Specific requirements have to be defined one by one now. Are these matters, that is, matters vitally important to Poland, discussed officially in the circles of civilian and military leadership? Don't you think that our society, our government and the military command itself are desensitized to them, because of the present situation of relative stability?

[Koziej] For decades our society was unused to thinking about national defense, mainly because it was brainwashed to believe in the assured security. There was the coalition and the Warsaw Pact, and the Soviet Union was with us, etc. And if I may say so, our average citizen was given leave of thinking about the need for defense. Somebody else was thinking for him, somebody above.

[Sienawski] Furthermore, our military matters were cut off from the people by all kinds of restrictions and censorship.

[Koziej] There was greater secrecy in relation to our own nation than to the enemy. We feel the consequences of that now. The new elites in power now have realized, however, that it is impossible to neglect the military matters and treat them as those areas where the state can make considerable savings. I believe the climate among the government circles regarding state security is changing favorably. I believe that the situation is making people aware that no one else decides for us whether to defend ourselves or not. We have to decide ourselves and allocate appropriate means, because it is a necessity. This means taking concrete responsibility.

[Sienawski] Our whole history of over one thousand years has taught us bitterly. Many times we lost because we became desensitized to matters of defense and did not perceive or deal with threats in time. How to proceed now in order to make people sensitive to state defense? Won't the neighbors be offended that we suspect them of hostile intentions. Should we keep quiet about the threats we perceive or voice them aloud, or perhaps only mention them in lowered voices? And then, who expected that Iraq would attack Kuwait? Still, it happened. This at least proves that one must never forget about state security.

[Koziej] I believe that in this regard we are at a turning point of the history of humanity, although it may sound grandiloquent to some. Until now state security systems were built on principles: "me and my enemy," or "me and my potential enemy," or "me and my neighboring enemy." A security system was always built against a specific enemy: usually a neighbor on the right or left, at the side, or in the back, etc. At present an interesting vision is emerging within the detente, that is, within the

system of collective security. It is to be based not so much on the principle of a definite enemy as on the principle of a balance of the whole structure.

[Sienawski] How can we imagine this, and isn't it another effort to make us indifferent to the need of strengthening our defenses?

[Koziej] I see it the same way as many in the West, that all the members of the system are equally interested in the security of all. They are so strongly tied by various threads that a danger to the system in one place would be a threat to all, also to those at the peripheries. This particular system would be able to respond quickly to all kinds of threats without necessarily using military force, for instance, to ethnic conflicts, or ecological disagreements.

[Sienawski] It may be compared to the human organism, in which a small scratch of a finger may be dangerous to the whole. Hence a reaction of antibodies from the farthest areas of the body to prevent an imbalance of the organism. Do you think that European awareness has matured enough to accept this type of a collective security system?

[Koziej] There are all the necessary preconditions to build such a system in Europe within the next 15-20 years. I believe that West Europe has the best possibilities to have such a system within the current decade, built on the foundations of the European Economic Community [EEC]. Everybody within the framework of this structure is interested in keeping the whole intact. You can see how quickly they reacted to the situation in Yugoslavia. That is because these countries are interested in not having conflicts at the peripheries of their community.

[Sienawski] In order to become part of such a system it is necessary to fulfill certain conditions.

[Koziej] We, ourselves, have to create such conditions within our country that could be suited to and connected to the structures of that system. There are many problems related to that. As public opinion surveys in West Europe show, people are more optimistic about such a security system than politicians themselves.

[Sienawski] This results from the fact that those societies have a lot to lose in case of an armed conflict on their soil. Hence their special interest in building a security system, which we, Poles, avoid to speak of loudly.

[Koziej] There was a theory expressed once in our country, which is being voiced again, that we are in a transition and nothing threatens us. We have therefore about five to six years of peace of mind. There is some truth in it because our neighbors are involved in their own internal problems. Despite that, however, there is the danger that the situation may change very rapidly, in a matter of months, especially in our eastern strategic

direction. We cannot therefore allow a complete demolition of our present defense system in order to create a totally new one.

[Sienawski] At this point, I would bring up the example of Switzerland, a wealthy and neutral country, but very strongly secured against external aggression. That society, although less afflicted by history than ours, cannot imagine living without a strong army and a strongly developed system of self-defense.

[Koziej] The difference is exactly that Switzerland is a neutral state.

[Sienawski] And what state are we at present?

[Koziej] We cannot declare ourselves a neutral state, because it is connected with a lot of obligations on our part towards others and other countries' obligations toward us. Such countries as Switzerland, Austria, or Sweden have to ensure their security themselves. They cannot join any alliance. We are in such a geopolitical situation that we would not be able to ensure our own security in case of an aggression. An aggression on Sweden is highly unlikely. Also Switzerland, a mountainous country, was not an area of strategic targets during many wars in the past.

Moreover, the Swiss self-defense system is very costly. I think that its role is more of an internal bonding of the country. To many Swiss citizens participation in a defense system is a way of life. We could use some organizational elements of those countries' security systems, especially those related to the popularization of defense matters. We should opt for a mixed system. Something different than we had before, when the military were exclusively responsible for the security of the country. The Army was then expected to move to the external front and there to fight the battle for Poland. Right now the whole society has to be prepared for defense, to be started only in a case of real danger.

[Sienawski] What, according to you, is the best way to defend our country in the context of all the above conditions?

[Koziej] Let us consider first the variant of a great war, that is, an aggression of super powers, noting, however, that this is not very probable. Poland has no chances to stand against an enemy like that in an open war. I think that the best defense strategy against such an invasion would be a combination of operational maneuvers and, later, irregular activities. This means that in the first phase of this type of strategic defense regular troops should be deployed in defense maneuver operations. Their aim would be to stop the attack by causing enemy losses so great in comparison to gains that they would be unacceptable. They would also gain time for an international response to start.

[Sienawski] If such an operation failed...

[Koziej] That is, if it did not result in stopping the aggression; then, our armed forces should be ready to

conduct irregular operations, in the occupied territory, melting into the whole nation's resistance. Only this type of a solution would remain in case of a super power. The only reference we have are experiences of small states which used a similar strategy in conflicts with super powers, as for instance Viet Nam, or Afghanistan.

[Sienawski] Let us take the year 1939. At that time, we were not prepared to conduct irregular operations with the participation of the whole society. They started as a result of the occupation and enemy terror. Right now there is time to foresee all the possible variants and work them out, as well as to prepare both the armed forces and people at large.

[Koziej] Obviously, the strategy has to be prepared theoretically first (and this has not been done yet), and then it has to be worked out in terms of a concrete structure of the armed forces. They have to contain units which would relatively easily move into irregular operations, melt into the general resistance of the whole nation, create urban guerrilla groups, since I am not talking here about forest guerrilla warfare.

[Sienawski] The idea is then for the whole country to rise in resistance against such an aggression, so that the enemy would not be able to find any safe spot there, so that the only alternative would be to withdraw.

[Koziej] It would have to be so severe that the enemy would have to withdraw. It would also have to be combined with international pressure without which withdrawal would be difficult to win.

[Sienawski] Today the world public opinion is so well informed and organized that no local conflict can pass unnoticed or ignored.

[Koziej] An aggressor is immediately chastised. Material losses are another matter.

[Sienawski] We also have to add that we are not in a position to create any unified front or defense outposts.

[Koziej] It is rather impossible. That is why our armed forces should be developed from this point of view, in their size and types of equipment. I think, for instance, that we do not have to have an enormous regular army, nor to maintain a great mobilization system, because no matter what their size, they will always be too small in relation to the power they would have to confront. And I mean the power in military and economic terms.

[Sienawski] What should the forces be like, then, if at present they are inadequate?

[Koziej] They should contain what I call local infantry units that are tied to the area they are stationed in. They are able to conduct regular operations, but also to quickly move into armed resistance. Typical reserve forces would also have to be created, maneuverable, highly mobile, able to react quickly during the regular war phase.

[Sienawski] Let us consider now the other type of conflict that you mentioned, that is, a local armed conflict.

[Koziej] Poland should be able to solve this type of conflict by itself. The proper method, I think, would be a defense-attack operation, if the enemy succeeded to enter our territory either by a landing operation or some other means, for instance, a raid. For centuries we have been familiar with such operations from the East, the so-called tartar raiders. In a case like this, our armed forces should be able to eliminate the danger immediately in any given operational direction. And again, we see the need of having local forces that would localize the danger, and of having fast, mobile forces from the interior which could be dropped in any area to counter-attack and eliminate the danger.

[Sienawski] And how does this relate to the vision of the future collective European security?

[Koziej] We will still need highly maneuverable forces which, as small units, could be used at the borders of this system. All this means that our forces have to be remodeled; from the heavy type oriented towards conducting gigantic operations in the framework of a coalition they will have to become light, for instance, using helicopters. I think that the Polish Army should start creating airborne divisions, on condition that they will have their own helicopters. It is necessary to have the so-called flying troops, armed with top-notch equipment.

[Sienawski] All in all, it comes to dividing the forces into local and central units.

[Koziej] The task of the local infantry units stationed in areas of danger would be to train recruits in straight combat with the use of light arms, mainly antitank, anti-aircraft, machine guns, and personal weapons. Central units, that is quick divisions, or airborne divisions, on the other hand, should be totally professional, based on contract service, having the highest level of professional training. This type of diversified armed forces, having those two components, local and operational, are the best solution in our situation.

[Sienawski] How does this relate to the all-European tendency to reduce armed forces?

[Koziej] At the threshold of the 21st century the size of our armed forces within the framework of the above-mentioned European security system will be determined by specific indicators adopted by all the members of the system. It is likely that it might be an indicator of the professional service percentage in relation to the population of the country. I have attended a conference in Paris where the indicator was generally considered as 0.3-0.5 percent. It should be noted that the German Army, which will amount to 370,000 people in the mid-nineties, will conform to these limits, while ours at 250,000 will be higher than this indicator.

[Sienawski] How large should our forces be?

[Koziej] I think that we could afford the size of 150,000-200,000, but very well trained and relieved of the whole ballast of logistics. A major part of logistic tasks, however, has to be taken over by the national economy. We want to interest management circles in these issues during training courses organized at the National Defense Academy. They have to be organized to make everybody aware of the need to include state nonmilitary sectors in defense tasks.

[Sienawski] In what way, in your view, people should be made aware of these two needs: to restructure the armed forces and to undertake nonmilitary actions for state defense purposes?

[Koziej] People felt that the Army's task was, first of all, to realize the interests of the coalition, which they did not identify with. They were too distant and fuzzy. The military cut themselves off from the people by means of the barrier of state secrecy. If anybody, no matter how right, raised a voice in criticism, it was disclaimed as sacrilege. How to change this now? Things have to be discussed openly and without propaganda. And not only in military press. Our doctrine has to be worked out publicly, and not within the walls of our rooms. A group of wise men would once sit down and after a while announce: Here you have a doctrine in which you have to believe.

[Sienawski] The reaction of our society, quite contradictory in fact, could be quite different. What if people do not want the armed forces at all?

[Koziej] All state institutions are created for a purpose. The nation is the subject; it determines in which structures it wants to exist. Let us not force anybody again into being happy. Let us include the widest circles of our society in the process of determining our new state defense doctrine, as it should be called, in order to have it created in front of the people. On the other hand, everything that has to be restricted, for example operational plans and other details, will have to remain as such, and everybody understands that. The whole political and strategic concept, let me repeat, must be worked out publicly. If it goes on behind closed doors, I do not see any chances for it to gain social acceptance.

[Sienawski] Are the faculty of the National Defense Academy ready to explain these matters outside of the Academy?

[Koziej] Not really. We are trying to create this type of activities. Not everybody wants to discuss defense matters publicly. My personal attempt was an open lecture with a view of encouraging my colleagues to this form of speaking about defense issues.

[Sienawski] Today, when people are preoccupied with their own problems, it is difficult to interest them with the great national issues.

[Koziej] The nation elects its government to take care of those things. We shall see to what extent our governing bodies will feel responsible for the state defense sector.

[Sienawski] Before, decrees, orders, and even administrative enforcement were enough. Today, in conditions of self-government it is necessary to persuade one's convictions and strongly justify national needs.

[Koziej] Before, it was really easier, but usually ended up with presentation of tasks and creation of new documents. Nothing more was done. I cannot give a solution, at present, to the problem how to approach defense problems realistically and effectively, and I do not know of anyone who would. People have to believe first that this Army is theirs and that it can be criticized and checked, and the military will not be offended.

[Sienawski] There are opinions that the present civilian-military structures of the Ministry of National Defense and of the armed forces are again created in a hurry.

[Koziej] We are always running out of time. I explain it, for my own use, by the fact that we stopped thinking in strategic categories. All this time we have been tacticians. This means that we react to situations when they already exist, while the highest echelons should already think strategically, that is, with the future in mind. It means thinking about problems which will arise in five years, or more. Solving a situation when it has already occurred is tactical thinking. That is why new structures have been elaborated with a view to immediate implementing of only some of their elements. Again everything has been worked out in staff circles. There was some information about the work of the leadership, but any influence from outside on their work was negligible. Looking at it from a distance, I can see that again it was a typically tactical approach.

[Sienawski] Why?

[Koziej] I believe that the civilian branch is too large, that too many of its responsibilities interfere with the responsibilities of the chief commander. I do not know why he is called the Inspector General. What are these misnomers for? Well, the chief commander of the armed forces, let me call him this way, will again have two bosses: the minister of national defense and the head of the armed forces, according to the Constitution, with the minister of national defense having the authority over the Army to ensure its correct functioning.

[Sienawski] Let us look at the American Army in the Persian Gulf...

[Koziej] Over there, the operational-strategic command was constructed very simply. There was the field commander, who had all the powers directly in the Gulf. At the strategic level there was the Chiefs of Staff Council, which works conceptually, and the commander-in-chief—the president.

[Sienawski] And the role of the minister in this arrangement?

[Koziej] The minister makes sure that the armed forces are well prepared to act, properly supplied, and serviced. Practical military experience gives evidence to the fact that there cannot be two lines of command. If somebody in the Army has two bosses of the same level, it means being relieved of responsibility. This is my personal critical opinion.

[Sienawski] It is necessary to speak about the matters of Poland's security in an open way because only then will it be an authentically public issue having our common advantage in focus.

[Koziej] Yes, without camouflage, without silencing any issues, especially those difficult ones. It is also good for our external relations, because others will treat us seriously, then, as trustworthy. Let me give an example of about two years back. We announced that we had only mechanized divisions, and we did not have armored units any more, because our doctrine was of a defense character. The people who were listening to that in Vienna did not believe in this propaganda fable. We should not try to pull wool over anybody's eyes. If there are any threats they have to be spoken of straightforwardly. We have to speak of what we are afraid of, how we want to defend ourselves against it, and what we expect from others. We, ourselves, will only treat defense problems seriously if they are presented honestly and openly, if we can see real dilemmas, and we realize we can influence them.

[Sienawski] Thank you for the interview.

#### **New Military Bureau Described, Issues Addressed**

*92EP0011A Warsaw POLSKA ZBROJNA in Polish  
18 Sep 91 p 3*

[Interview with Brigadier General Jan Swiatowiec, chief of the Military Department in the National Security Bureau, by Lieutenant Colonel Andrzej Medykowski; place and date not given: "We Are Building a Cohesive State Defense System"]

[Text] [Medykowski] The National Security Bureau [BBN] is a new, quite secret organ—at least that is what many readers think. Thus, it would be worthwhile to make them somewhat familiar with this institution.

[Swiatowiec] The change in the political and military situation necessitates changes in tasks, in the character of action and in the structures of the consultative-advisory and opinion-rendering organs which deal with the issues surrounding state security. While the constitutional organ known as the National Defense Committee [KOK] still exists, the process of its restructuring in the National Security Council [RBN] still exists and is patronized by the president of the RP [Republic of Poland].

We must expect that this will soon be expressed in the form of an appropriate entry in the RP Constitution and the laws regulating national security issues. Our bureau

is taking on the tasks of the former KOK in a significantly broadened form; moreover, it has essentially already taken on these tasks and is performing them. The department I head is composed of fine, experienced specialists and it performs tasks within the framework of the BBN.

The Military Department is the opinion-rendering organ of the secretary of the future council. Our work is based upon the guidelines of the RP president as the superior of the RP Armed Forces, the advice of the council secretary and the assessments and prognoses of danger to the state. Our department cooperates closely with the central institutions of MON [National Defense Ministry], especially the WP [Polish Army] General Staff, as well as with other ministries and institutions responsible for national security.

Our work results in verified analyses which allow us to prepare recommendations for the president in the field of organization, arms, command, training, personnel policy, logistical security and the possible use of the RP Armed Forces during peacetime and wartime.

[Medykowski] Since there are many tasks, one may guess that many people work here....

[Swiatowiec] On the contrary, our team is quite modest in number. The whole secret lies in the fact that when it was organized, no one pushed particular persons: The only criterion was professionalism. After several months of cooperation I can count on the fact that all tasks will be performed solidly and quickly although these tasks are primarily very complex tasks requiring conceptual work and consultation with various institutions, with academic people.

We are attempting to use computer technology extensively. This will allow us to reduce the performance time of many labor-intensive tasks. I would also like to emphasize that we are trying to win over officers and the employees of various civilian institutions to cooperation with us. This is a superb way to shorten the time it takes to perform many tasks and it impacts in a positive manner upon the quality of final results.

[Medykowski] There was much work to do—this year the concept of a new shape for MON and the RP Armed Forces was developed. It was primarily the Interministerial Committee for Reform Affairs in the National Defense Organization that worked on this, but the BBN also played a role in these efforts. What were the underlying motives for this?

[Swiatowiec] The bureau and its Military Department were interested in the creation of a cohesive system for state defense which will be reflected in new legislation. I think that a step has been taken in the right direction.

[Medykowski] What is the essence of this step?

[Swiatowiec] It is our position that both in peacetime and in wartime, the president of the RP should direct state defense. The BBN should be an advisory organ to

the president, but on some matters it could be equipped with specific powers and would make indispensable decisions. The makeup of the council could be expanded during peacetime by the marshals of the Sejm and the Senate and the supreme commander of the armed forces, and by other organs as well, and these would constitute the president's war cabinet. By making a few indispensable changes in the BBN and by adding employees from many ministries, such as MON, the MSW [Ministry of Internal Affairs], the MSZ [Ministry of Foreign Affairs] and others, the BBN could be a wartime headquarters. In this way, the peacetime and wartime command structures would be identical and the prime minister and the SZ [Foreign Affairs] commander, who would be relieved of many duties, would perform effectively the functions of executive organs.

[Medykowski] In the opinion of many civilians and some military personnel, changes in the state defense system should be based on a new doctrine. Discussions continue. Some people stress the need to write down the contents of the wartime doctrine (which they consistently call a defense doctrine), while others maintain that this doctrine is sufficiently reflected in the Constitution, in legal documents of lesser status and even in the newspapers and that there is no need to prepare a single specific document. What is the position of the Military Department on this issue?

[Swiatowiec] We share the opinion that the state's wartime doctrine is reflected in the legal system, in foreign and internal policy and in the statements of politicians on specific ministerial planes and the like. On the other hand, a small number of people are making an outright demand for the preparation of a defense doctrine in condensed form. Thus, the need for such a document—or rather, a collection of documents containing the basic principles of state defense policy in the event of aggression on our country's territory—does exist.

In conjunction with this, we have begun work on the preparation of a defense doctrine of the Polish Republic. We have invited civilian and military scholars, political scientists and the employees of many ministries and central offices, as well as of the state administration and self-governments, to collaborate with us. And so we hope that the result of this work will not be a dry official document, but a compendium of knowledge about defense which reflects both the current legal status quo and demands consistent with society's needs in this field.

[Medykowski] Needs are one thing, but possibilities are another. The latter are rather slender....

[Swiatowiec] The Army's makeup and its equipment are contingent upon the financial possibilities of the state. We must not forget, however, that society has available a given potential, both human and material, which, if properly prepared during peacetime, can be utilized effectively in time of danger and warfare. This, however, is the subject of a separate discussion.

[Medykowski] The transformation of the state defense system is a process in which both people associated with the Army and defense for years and those who are completely new are involved. How does this impact the work of the department and contacts with other institutions?

[Swiatowiec] If we separate people into the "old" and the "new," then the most succinct way to put the issue into words is the following: the "old" are above all professionals who are excellently versed in this extremely complex subject matter. However, we are trying to observe the service and work of younger specialists, mainly officers, primarily in order to encourage them to cooperate with us and in the future to propose specific functions for them. As for the "new" people—I am thinking here primarily of those people who have been associated with defense issues for a short time, who were employed in the governmental and self-governmental administration, or who were involved in politics—we are trying to supply them with condensed information in this field. These people are usually well educated and open. This makes it possible for them to adapt to a new environment quite readily.

[Medykowski] It is hard to believe that the problems that plague us all are not found here.

[Swiatowiec] Some are difficult to avoid. Much is said about material problems which prevent us from strengthening the defense system of our state rapidly to meet current needs. There is only enough money in the military to survive, but the situation is no better outside the Army. The consequences of this will be felt even when the economy improves. We are trying to make the politicians aware of this. We would like them to become more deeply involved in military issues and to take specific action. I believe that we may expect positive results.

However, I would like to speak here of another matter, one which may be peripheral, but which takes up a great deal of time. A certain category of people exists which does not always direct its activism in the proper direction. I understand aspirations and the desire to present one's own ideas and to share life experiences—all this is good under the condition that it has been given careful consideration and is realistic. Frequently, however, it is only an attempt by an incompetent to get into the limelight.

Sometimes it also happens that people, when speaking of state defense, make reference to wrongs suffered in the past or even political oppression, persecution for their world view and the like, related to democracy but not to the state defense system. No one wants to rummage through another person's life history, but people in general know one another—especially people in uniform—and they know what the truth is. I say this only because the lack of self-criticism of our own knowledge and actions is sometimes surprising. We wrong many

people who are committed to the issue and we harm our Army, if unawares. But I say these things only as a sidenote.

[Medykowski] Is there not too much pessimism?

[Swiatowiec] The restructuring of the defense system is an endeavor of tremendous importance. I am convinced that we shall soon struggle with this problem, if not without difficulty. Shortages in the Army will also not last forever. Fortunately, the shortages are of a material nature, for well-trained, experienced officers are not likely to exchange their uniforms for civilian attire. At least I do not hope they do.

I believe that the BBN will be able to impact positively both upon the awareness of defense needs and on meeting these needs materially.

[Medykowski] Thank you for the interview.

### Results of Meat, Potato Sector Privatization

92EP0030B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 25 Sep 91 p II*

[Article by Edmund Szot: "Colors of Privatization; In the Food Processing Industry"]

[Text] The findings of a pilot study and the results so far of the privatization of the meat and potato processing industries were the subject of a press conference at the Ministry of Ownership Transformation on 24 September. The financial situation of these two food-industry subsectors and their importance to the nation's economy differ fundamentally, and hence the conclusions as to their privatization are not the same.

The potato industry with its 15 enterprises, 21 plants (of which 16 starch plants) and eight dehydrated food products departments, employs altogether 6,300 persons. Its three principal customers are the food, chemical, and pulp and paper industries, which altogether acquire 75 percent of its output. Last year the exports of potato products amounted to 45,000 metric tons (25 percent of total output).

The potato industry's financial situation is poor, being affected by the seasonal nature of production and the need to maintain periodic stockpiles. Some of the enterprises are so heavily in debt as to be threatened by insolvency. Analyses show that most of the enterprises which are up for privatization will have to be subjected to restructuring. For one group of enterprises a simple organizational or financial restructuring along with the resolution of relatively simple legal questions will suffice. For a second group of enterprises a thorough restructuring which is warranted either by hopes for a marked increase in their sales revenues or by their importance to maintaining competitiveness, will be needed. Lastly there are the enterprises which have no chance to survive, that is, which are designated for liquidation and sale.

For the first group of enterprises an active investor engaging in potato growing or trading in the products of potato processing has to be found. Part of the shares (up to 40 percent) should be set aside for employees and suppliers, to whom they should be sold at preferential prices. Producers who supply more than 100 metric tons of raw potatoes each have expressed interest in this solution. Three potato industry plants, in Głowno, Torun, and Slupsk, have already earlier been privatized, and in the first two this took place with the participation of foreign capital.

The meat industry includes 68 state enterprises, which account for at least 72 percent of the volume of sales in this subsector. In addition, about 1,700 other entities engage in the slaughter and processing of meat. The number of the suppliers of livestock is about 2 million farms. Employment in the meat industry is 78,000 and the industry's financial situation is relatively good, owing to the marked increases in meat prices after the elimination of state subsidies. However, this resulted in a decline in consumption to 62.9 kg per capita annually (exclusive of organ meats). The technical condition of the industry is such that 60 percent of its buildings are more than 65 years old, while its machinery and equipment date from the 1970's. There is a shortage of modern means of transportation and curing and smoking equipment, as well as of incubation chambers and machines for packaging finished products.

The principal technological problem is the excessive fattiness of hogs on hoof and the low quality of beef on hoof (lack of cattle bred for lean meat). The privatization of the meat industry, which in the opinion of the Ministry of Ownership Transformation should remain in Polish hands, is also of interest to foreign investors. They are attracted to the low cost of manpower in Poland, the large local market (40 million consumers), the relatively low cost of the raw materials, the skilled labor force, the indigenous tradition of exporting meat and meat products, and lastly the potential for making the production more profitable. Another magnet is the prospects for exporting meat to the countries which until recently had been part of the Soviet Union.

The attitude of the workforces to the privatization of meat-industry enterprises varies greatly. At one of the enterprises the decision on this matter has already been postponed 11 times.

In view of the multiplicity of factors affecting the results of ownership transformation, privatization in the meat industry will occur in stages. The first stage will be commercialization [conversion of state enterprises to Treasury-owned joint-stock companies], and public offers of sale are envisaged only for the second stage. Besides, the situation of meat-industry enterprises varies greatly and hence a separate privatization strategy has been developed for each of the six groups of these enterprises; one purpose is to maximize the utilization of production capacity.

### Sale of Unleaded Fuel at Stations Under Way

92EP0030C Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
24 Sep 91 p II

[Article by Wiesława Mazur: "Ecological Motor Fuels Available"]

[Text] Ecological motor fuels such as unleaded and low-lead gasolines and methanol-containing gasolines, along with low-sulfur motor oils, already are being distributed within the CPN [Central Agency for Petroleum Products] network.

As of last July, Eurosuper 95 (5,200 zlotys [probably per liter]) gasoline, the same as in the EEC, is being sold nationwide at many CPN stations, also in lieu of unleaded Bona 91. In both Warsaw and Poznan this ecological gasoline is being sold at eight stations; in Szczecin, at five; in Krakow, at four; and in Katowice, at two. Compared with Bona 92, Eurosuper 95 displays improved antiknock properties.

Eurosuper 95 is designed for the spark-ignition engines adapted to burning this kind of gasoline, chiefly those equipped with catalytic converters. It should be borne in mind that this unleaded gasoline unfortunately cannot be used in cars not adapted to it, owing to problems relating to the durability of valves and valve seats. In the opinion of domestic carmakers, Eurosuper 95 can be successfully used in the Polonez and FSO car models manufactured since 1988 and equipped with AA, AB, CB, and BA type engines, as well as in PF126bis cars.

CPN stations also sell Super 98 gasoline (Eurosuper 95 is colorless, whereas Super 98 is red). This is an imported fuel containing only 50 percent as much lead as the ethyl gasolines produced in this country, that is, not more than 0.15 g per liter. Gasolines containing 5 percent ethanol also deserve interest. They include Ethyl Gasoline E 94E (4,900 zlotys), produced by the refinery in Trzebinia, and Benzohol 94 (4,900 zlotys), manufactured by Polish technology. Both Ethyl Gasoline E 94E and Benzohol 94 contain 50 percent less lead than Ethyl Gasoline 94, but their energy parameters are the same. The lead content of these gasolines is not more than 0.15 g per liter, which is in accord with European standards. They can be used wherever gasoline with an octane number of at least 94 is required, interchangeably with Ethyl Gasoline 94. Turn-over tax discounts have been granted for producing 13,000 metric tons of this ecological gasoline.

### Statistics on Railroad Safety Noted

92EP0030A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 25 Sep 91 p III

[Article by Jan Forowicz: "The Rail Paradox: Railroads Are Safer Than Other Carriers"]

[Text] Statistics show that the Polish State Railroads [PKP] are among the safest in Europe. Even so, however, at the Central Station in Warsaw locomotive engineers

staged a dramatic protest strike demanding improvements in traffic safety. They had actually commenced their protest a year ago on resorting to the legal protest procedures. Ultimately, thinking of traffic safety, they decided upon a hunger strike.

The locomotive engineers drew the public's attention to a problem that had for scores of years been treated as a state secret—the statistics on rail accidents. It is difficult to understand why it was kept secret, the more so considering that the related figures present Polish rail traffic safety in a favorable light.

Let it also be noted that the Polish system for keeping records of rail accidents is stricter than that the so-called standard of the UIC[F] (Union Internationale des Chemins de Fer), whose head office is in Brussels and which is followed in West Europe. Over there disasters resulting in deaths or in injuries requiring a physician's certificate of work exemption for at least 14 days, or in material damages exceeding 5,000 Swiss francs are classified as accidents, whereas in Poland derailings, collisions, and head-on and side side crashes also are reckoned among accidents to be recorded in statistics, regardless of whether there were any attendant deaths, injuries, or property damage.

In 1989 a total of 909 rail accidents occurred in Poland, according to Wojciech Barburski of the Main Inspectorate for Rail Traffic Safety. In 1990 these accidents totaled 782 and in the first half of 1991, 353. So much for absolute figures. But a comparison of the overall number of accidents per 1 million kilometers traveled by Polish trains over the year would be more telling. That number was 2.06 in 19879, 1.56 in 1990, and 1.87 in the first half of 1991.

These accidents were chiefly caused by the poor condition of the infrastructure (trackage, car, and engine defects, which in 1989 resulted in 428 collisions; in 1990, 296, and in the first half of 1991, 123). The next most important cause, according to the statistics, was poor driving by locomotive engineers and motormen who disregarded operating regulations (295 accidents in 1989, 330 in 1990, and 166 in the first half of 1991). Violations of other regulations by PKP personnel are less frequent: The number of accidents resulting from failure to notice gateposts, driving past a semaphore stoplight, crossover of trains onto wrong tracks, and speeding totaled 81 in 1989, 72 in 1990, and 29 in the first half of 1991. On closer scrutiny we note that this list does not take into account accidents resulting from some other causes, such as poor loading of freight by consignor, collision with stone obstacles placed on tracks by hooligans, and derailings of PKP maintenance trains carrying, e.g., rubble for track repair.

In the light of the aforementioned protest strike by locomotive engineers demanding the installation of safety equipment in locomotives, it is worth noting that

the effect of such equipment on accidents is relatively limited. Rail traffic safety inspectors found that in 1989 locomotive engineers ignored the "Stop" sign and thus caused accidents 23 times, in 1990 also 23 times, and in the first half of 1991, six times. The causes were drowsiness of the engineers, the personal stresses they were under for one reason or another, etc. Their failure to remain alert on tracks with so-called automatic line blockage (the SBL system, used on eight percent of overall Polish trackage) occurred five times in 1989, four times in 1990, and once in the first half of 1991. In these cases the problem was speeding above the 20 km/hour limit permitted in doubtful situations, etc.

The conclusion that can be inferred after scrutinizing the statistics is fairly obvious: Rail traffic safety figures are tremendously affected, and over many years at that, by collisions at unguarded train crossings where the fault for the accident clearly belongs to users of public roads. The ensuing recommendations also are simple, and they have already been repeatedly made by the railroads, the police, and the insurance institutions, so that I am not going to repeat them.

Owing to technological advances and in view of the nature of the accident statistics, it was possible to opt in favor of a small revolution on the railroads, namely, letting just one locomotive engineer drive a train, instead of the traditional two. The PKP inaugurated this small revolution experimentally for the first time as early as in the 1960's. Nowadays this is how many freight trains are driven. To safeguard train traffic safety in such cases several types of auxiliary and monitoring equipment are installed. All vehicles are to be equipped with a so-called active sensor which is functionally linked to an automatic train braking system, the SHP, and activates it in the event it is found that there is no response from the locomotive engineer 200 meters ahead of a semaphore. The SHP has already been installed on 71 percent of the overall rail trackage in Poland. In addition, a radio-stop system serving to stop a train by remote control in the event of special dangers is being installed. The funds for this kind of updating are available, although of course more funds could be useful—but that is another subject.

After providing the figures for this article Engineer Barburski additionally commented that for years in the international statistics of the UICF [expansion not given] the Polish railroads are ranked highly safety-wise, in the fifth and, in some years, also in the third place. This comparison allows, of course, for all the proposals and ambient circumstances, such as the decline in the volume of freight traffic due to the recession in Poland. But, Engineer Barburski stressed, the point is that this comparison should not be used as an excuse for treating the problem as trivial. The point is only that, when speaking of rail traffic safety in Poland and planning modernization projects and the attendant outlays, the matter should be approached with the deliberation it deserves.

**UDMR Chief Domokos Denies Party 'Split'***92BA0007A Bucharest BARICADA in Romanian  
17 Sep 91 p 16*

[Interview with Geza Domokos, president of the Democratic Association of Hungarians in Romania, by Liviu Valenas; place and date not given: "The National Salvation Front Does Not Have One Foot in the Grave"]

[Text] [Valenas] Mr. Geza Domokos, how do you characterize the Law on Privatization and how do you explain why the UDMR [Democratic Association of Hungarians in Romania] did not leave the parliamentary debates about that law along with the other opposition parties?

[Domokos] In the first place, it is very difficult to know today whether that law is good or bad! There are problems in the neighboring countries where the privatizing process has already begun, and it has come to things that are difficult to foresee. I think the same thing will happen in Romania, too. It is a long process. Those laws will be tested by the social and economic realities. We have had and have serious reservations about this law! As it is known, we wrote a draft law that was also published. We would have liked to see a more rapid, more comprehensive, more democratic and more lucid law, and so we tried to improve this law in the course of the discussions. We didn't have a chance because there were conceptual differences between the two draft laws, ours and the Front's. Now let me answer the second part of your question. Personally, I regret that from an economic question (with political aspects too, it is true) it has become a purely political one! Why did we stay in Parliament, in the discussions? For several reasons: We think that participation in the debates is preferable in a parliament that wants to be democratic and professes political pluralism. You cannot give up your right to express your opinion in any situation, even when you are on the defensive in a disadvantageous position. We said that there are about a million people in back of us who voted for us. We came to Parliament in order to support their interests. Moreover we think the rules of parliamentary democracy should be respected. In society today, when we are seeing so many moments of deviation, confusion and perplexity as they appear in the press, Parliament should be an example of deportment, composure, and competence. And in this situation too, after many and contradictory discussions, to my astonishment I heard that "This law favors the appearance of Hungarian capital in Romania and supports irredentism"! I think this "point of view" is funny enough, because the Law on Privatization very clearly specifies under what circumstances enterprises can be sold and how foreign capital can come in. In my opinion, Hungary is not now in an economic condition to allow itself a "great" economic expansion toward Romania. I think a great many problems between the two countries will disappear if there will be close collaboration. That is how grotesque such "declarations" appear, in which politics assumes enormous proportions!

[Valenas] You mentioned the PUNR [Romanian National Unity Party]. Now that party and its leader Radu Ceantea state that they are in the opposition, as contrasted with the UDMR, which is a satellite of the Front, on the grounds that the PUNR left Parliament while the UDMR remained alongside the FSN [National Liberation Front]. What do you think of that statement?

[Domokos] I never agreed to enter into sterile polemics with Senator Radu Ceantea or with the PUNR, nor do I want to now. I only want to remind you that the great majority of the UDMR members of Parliament voted against the Law on Privatization! Throughout the debates we made amendments and criticized the unacceptable aspects of the law. I do not know then how there can be any question of an alliance between the FSN and the UDMR! As far as I am concerned, I abstained from the vote! I did so for two reasons: I said from the start that it is a very complicated law and it is not yet known (it will come out only in practice) how far it will meet the social-historical necessities in Romania. Moreover I haven't yet been able to meet with my voters in order to find out what they think of the Law on Privatization. Therefore there is no alliance at all between the Front and the UDMR! And the fact that the PUNR and the "Romanian Homeland" are opposed is purely incidental.

[Valenas] You don't think that, politically speaking, the FSN has "one foot in the grave"?

[Domokos] Don't be offended, but I don't like those metaphors, which are rather simplistic. No doubt the FSN has lost much and will probably lose more in influence and in popularity. It has lost because it could not solve the economic problems that the public is concerned about and because of its myopic and inconsistent policy, which has led to constantly aggravated social conflicts. Nevertheless the Front is a political force and a force that will still be present in the politics of the country, so that it is rather simplistic to take a cursory view of things. I tell my friends and I tell myself that a majority can afford to view things superficially, but a responsible and serious minority cannot afford superficialities, can never afford to confuse things, and has no right to confuse wishes with reality. And it has no right to deceive itself with analyses that are incorrect.

[Valenas] I suggest we drop the FSN and its problems now and pay a little attention to the UDMR. Before I undertook this interview with you I made a trip through Transylvania, where I encountered an almost general dissatisfaction with the UDMR on the part of the Hungarian electorate! There were two reasons for the dissatisfaction, namely, its participation in the discussions of the Law on Privatization and the UDMR leadership's refusal to explain the reasons for this particularly serious decision to its own electorate. They said, "We voted for that party, and that party was obligated to tell us why it made that decision!" What is your opinion about the disappointments of your own electorate?

[Domokos] Your questions are very categorical. In a situation as complicated as the one in Romania, I don't know what the voters' opinion is. I am very glad you know the opinion of the Hungarian electorate of the UDMR....

[Valenas] The 100 opinions I heard were critical of the UDMR's decision, and 100 persons constitute a sampling, do they not?

[Domokos] No doubt! You forget that the UDMR's electorate evidenced a very firm attitude against the FSN and the leaders of that front. Why? Because it deviated from principles stated on 22 December 1989 and on 5 January 1990, when it made the Declaration on Minorities' Rights. The Front agreed to defend the Ceausescist ideology and the Ceausescist "strategies" toward minorities, and especially the Hungarian minority, again in Romania. Accordingly that is the problem.... And after that the mistakes in social and economic policy that I have already mentioned, which everyone knows, were added to it. We told you the reasons why we stayed in Parliament: We made official statements on TV and the radio and in the press. To be sure many of our electorate would have liked to hear the details concerning that decision, and I think they have a right to. But it is difficult for us to report correctly on a political subject.... Nevertheless, a number of comments were published on the subject of our participation in the Law on Privatization, and so I would not say that the Hungarian electorate did not understand it. And if they have not understood it now, they will in the future.

[Valenas] Yet nine UDMR members of Parliament left the parliamentary proceedings. They belong to the young or, if you will, radical wing. Are we seeing a split in the UDMR?

[Domokos] In the first place, they did not leave the debates, but Parliament, at the time of voting. They participated in the debates, and at the end they made a statement (it is a matter of seven deputies and two senators) in which they said that they would not participate in the vote. I do not think there is any question of a split! In fact, it was stipulated in the statements of their stands that it was not a matter of a split but of a decision made at a given time on a certain question. It is no secret to anyone that it was clearly pointed out at the UDMR Congress in Tirgu Mures that there are several persuasions within our organization. We have Liberals, Social-Democrats, and a liberal party (Independent Hungarian Party), but we also have a Christian-Democratic Party, so that naturally there is a right to choose and several possible ways to approach the problems! It is important for us to maintain our unity of action and will to change things for the better. It is also important for the UDMR to present itself as a well-organized, cohesive force in the communal elections and especially the general elections next year.

[Valenas] I am asking you a question that may be a little amusing: It was heard from sources of the Cluj branch of

the National Liberal Party that the UDMR participated in the discussions of the Law on Privatization because there was a secret agreement with Petre Roman (somewhere in the Parliament building), who promised the Hungarian minority a Hungarian university in Cluj with a Hungarian branch in Tirgu Mures in exchange for the UDMR's participation in the discussions (even with opposing votes). Is that rumor true?

[Domokos] Know that if that meeting took place as you say, and Petre Roman promised us a Hungarian university in Cluj and a branch in Tirgu Mures, I would have seriously considered that proposal, because that institution, the university, is one of our main objectives! But there was absolutely no meeting whatsoever, nor any discussion. Consequently, no promise whatsoever was made!

[Valenas] In the communal elections that will be coming up this fall, are you going to run on the same lists as the opposition or on separate lists?

[Domokos] In the first place, there won't be any lists. Persons will be chosen who are proposed by certain political forces.

[Valenas] Well then will the best-regarded person from the ranks of the opposition be proposed, or will each party propose its person? What will be the UDMR's position?

[Domokos] We want to discuss it with the parties in the Agreement for Instituting Democracy (of course I am referring here to the Civic Alliance Party, too) in order to see which candidates we have whom we can offer to the electorate. Whatever person is better regarded and has a better chance we will support that candidate. To be sure we will not have candidates everywhere, but we will request support in our turn where we have a better chance. I am hoping for very good cooperation, such as we have now, with the forces of the real opposition.

**Mazilu To Reenter Politics, Criticizes Government**  
91BA1160A Bucharest *FLACARA* in Romanian  
26 Aug. 3 Sep 91

[Interview with Dumitru Mazilu, international law and human rights expert, by George Arion; place and date not given: "The Romanians Have Had the Experience of Freedom"]

[26 Aug p 8]

[Text] [Arion] Mr. Dumitru Mazilu, let us please review: How did you come into the whirl of events in December 1989?

[Mazilu] My involvement in the process of the unfolding revolutionary events of that time was preceded by activities in the 1983-85 period, when I alerted the international public to the serious human rights violations in our country. On that occasion I emphasized the causes of those violations, and the Romanians were informed

about the data, arguments, and analyses concerning the tyranny through foreign radio stations. Thus, the Romanian citizenry were aware of my efforts and struggle at that time, and in fact they brought me to the revolution from the jail where I was on 22 December, having been arrested that night by Interior Ministry troops.

[Arion] So you weren't surprised.

[Mazilu] I realized that they knew what I had been doing before—not only I, but also Doina Cornea, for example, or Ana Blandiana, Nicu Stancescu, Mircea Dinescu, and other fighters; as you well know, at that time few opposed the dictatorship; it was very dangerous. So they knew about our struggle and they asked us to work together; that is how I came to be among them at the time the revolution was underway.

[Arion] You are using the word revolution, although others don't agree with this term.

[Mazilu] In December 1989 we were dealing with two relatively parallel actions, I would say. There was the miracle of the spontaneous uprising of the Romanian people, pushed to despair by communist oppression and subjugation, and that was the revolutionary element of the events.

[Arion] And the second action?

[Mazilu] Was that of a group of Communists who at a certain time held important positions and who had been active for a longer time, as in fact they admitted, to correct the mistakes, errors, and negative developments of Romanian communism. In my opinion this group of Communists had a courageous attitude, especially when it decided to send a critical letter to the Ceausescu clan in March 1989 or when, for example, Silviu Brucan rose to the defense of the workers in November 1987. Those veteran Communists had the merit of having struggled for several years, albeit only in order to correct and amend socialism and communism.

[Arion] That was clear from the very beginning.

[Mazilu] As you know, in his first address Mr. Ion Iliescu called attention to the fact that the errors of the socialist system had to be eliminated and a socialism with a human face needed to be promoted. He was expressing the views of that group of Communists. The group in question was not ready for action in December 1989, but it took advantage of the people's anger in order to take power.

[Arion] What was the significance of the encounter between the two actions?

[Mazilu] It created a conflictual situation between the people's desire to change the system and to eliminate it completely, and the wishes of the group of Communists who wanted only to correct the system. In the course of the following months the conflict deepened and it acquired explosive aspects in January, February, and March, culminating in the events of June 1990.

[Arion] Don't you think it interesting that Romania was the first country in which communism was introduced, brought in by a foreign power, and that it was also left to Romania to demolish this system?

[Mazilu] Your observation is very right and you have raised an issue touching on the essence of political developments in Romania after World War II. As you know, anything achieved by violence begets violence. In 1944 communism was imposed in Romania against the will of the Romanian people. As I said on 22 December 1989 in the Palace Square, today the Revolution Square, our country was not, is not, and will not be communist; communism was introduced in Romania with the help of foreign tanks, and our people lived under a totalitarian boot for 45 years. It is true that [communism] prevailed for a long time, but almost exclusively by terror.

[Arion] Until...

[Mazilu] Until the situation became very serious in the 1980's and the people began to increasingly think of the point where the system would change, and when the limit was reached, and in some respects even overstepped in December 1989, there came the revolutionary act. The blood of the martyrs served to shed a system that this people never wanted. A power formula imposed by force can never endure. Sooner or later the people of the country in question will shake off that regime and regain their freedom and democracy.

[Arion] For the first time in mankind's history one system is removed without making room for a new one; this time it is a return to the past.

[Mazilu] In 1944 and in the following years—I am referring to the fraudulent elections of 1946, the violent act by which the monarch was removed on 30 December 1947, all those actions were in fact carried out in order to break off the course of Romanian history. Romania was on a certain course during the war and after the war, and if it hadn't been for those acts of violence, Romania's aspect and the level of development of the people would have been entirely different now.

[Arion] Are you sure?

[Mazilu] In the December revolution, on the streets of Timisoara, Bucharest, and other localities in the country, people stated that we must regain our freedom and democracy, which means they knew we had it before a totalitarian communist regime was imposed.

[Arion] We're talking about an experience that the Romanian people had not forgotten.

[Mazilu] The claims we sometimes hear, that the Romanians had no democratic experience and no experience of freedom, are often of a denigrating nature and are aimed at distorting the Romanian realities and the truths of Romania. As you well know, for example, as of 1923 Romania had one of the most democratic constitutions in the civilized world. The democratic principles, structures, and criteria laid at the foundation of Romanian

society permitted not only a democratic climate, but also activities that entered the classical system of democracies and of the civilized countries. In 1989-90 going back in history was possible on the basis of the democratic traditions and achievements of the past, but adapted to the democratic requirements of the present. In other words, we achieved a return that requires us to rest on new rungs of historical development, because in the meantime the democratic idea has changed in the world, it has become richer, and consequently we must now return to tradition while adding to it the new values of the present in order to make progress.

[Arion] Mr. Mazilu, how do you explain the fact that from the popularity you enjoyed in the first few days after the December 1989 events, your stock abruptly fell; as a matter of fact, you are not the only one in that situation.

[Arion] If you follow the Romanian political landscape carefully you will find that many of those who had struggled against the totalitarian regime have withdrawn from the new team in power. I am referring to Ana Blandiana, Doina Cornea, and Mircea Dinescu, who had overtly struggled as dissidents. What does it mean?

[Arion] Indeed, what does it mean?

[Mazilu] I was trusted by people primarily because I had publicly opposed the tyranny. I took every personal risk and risks to my family. The new power, however, has been pushing us away step by step. This time, the method used by the authorities differed from that used by the classical communist totalitarian system.

[Arion] How did it differ?

[Mazilu] The data that our torturers during the dictatorship kept in files have been brought to the surface and what the dictatorship didn't succeed in doing, the new authorities are doing by means of a press that serves it. The campaigns against us are very strong, I would even venture to say that they are without precedent.

[Arion] What are you criticized for?

[Mazilu] I am criticized because of certain elements in my activity, for the fact that I, the person who was opposing the totalitarian system since 1983-85, had cooperated with the old system. I am denied the right, or rather, there are attempts to deny me the right to change my position once I came to a different conclusion. There are attempts to demonstrate that our struggle had no significance and no importance in order to make us stop criticizing the new regime and stop opposing it. These campaigns, directed against the dissidents and opponents of the old regime, have, in my opinion, shown an efficiency seldom demonstrated by campaigns directed against other people.

[Arion] Why?

[Mazilu] First because of the virulence of the slander, denigration, and waves of hatred launched against those who struggled to reveal the totalitarian practices and methods.

[Arion] That was not the case from the beginning.

[Mazilu] As long as the dissidents in question were with the authorities, they were always praised. As soon as they dared to raise their voices against the authorities, the situation changed. I'll give you one example: After taking a public position about the events of June 1990, Mircea Dinescu became the target of a systematic campaign of denigration. We are dealing with a concerted effort to hit and smash, even physically, the opponents of the present regime.

[Arion] In 1947 the king was made to abdicate by means of blackmail, namely, that if he didn't comply, 1,000 jailed students were going to be executed. In fact, the sacrifice denied at the time was nothing but a postponement. In 1989, i.e., 42 years later, approximately 1,000 people died in order to pull down totalitarianism in Romania.

[Mazilu] As you well know, any act carried out under threat, meaning under blackmail, like the case in point, is legally null and void.

### [3 Sep p 10]

[Text] [Arion] What do you hold against the present team in power?

[Mazilu] The team currently in power didn't work and is not working to fulfill the wishes of the people and it is steering the December events in a different direction. I hold against it the fact that it is not conducting a frank and honest dialogue with the people of this country and is promoting forms of government that do not meet the interests of the Romanian people. In December 1989 the Romanian people rose against an oppressive system that had made life impossible for the people. The purpose of our struggle at the time was that everyone should live better. By confiscating the revolution, the team in power gave the Romanian people a tougher, harsher life. I have heard people say it was better before.

[Arion] How do you explain that? How did we come to this situation?

[Mazilu] While life in the period of communist totalitarianism was difficult for everyone and negative phenomena were present at every step, the authorities were striving to keep corruption, theft, and fraud under control. Since December we have been living in a chaos and a generalized state of corruption which begins at the top of power and seeps down to the bottom strata of society. By their method and the practices promoted in the economy, in politics, and in the moral structures of Romanian society, the present authorities have created a state of confusion so that people see the reform as corruption. They see all these profiteers who steal goods

from the state and sell them to the citizens for unthinkable high prices. The confusion, disorder, and chaos have reached levels never suspected in the country's past. I would say, and I don't think I'm wrong, that we are facing a phenomenon with Mafia-like implications from top to bottom, so that the economic wealth is detoured from the possession of the many into the pockets of the few, while yesterday's potentates are gradually becoming today's potentates. The general conclusion is that we have come to a state of despair, as many of the people I talk to are saying, to a state of uncertainty about normal life. People don't know whether tomorrow they'll be able to feed their families, and they can expect to be thrown out at any time without even a glimmer of a solution or hope for the future. The present team in power is governing without any concern for the interests, wishes, cares, worries, and real needs of the Romanian people. The measures they are taking are of no value, even if we are being told that big international experts are approving of them and applauding them.

[Arion] Isn't that a good thing?

[Mazilu] Of course it's good to consult skilled people, but any measure should be taken with the approval of the people and should serve to improve on decisions taken, not be requested from abroad. So what I hold against the present leadership is its incorrect interpretation of freedom and the absence of democracy. The freedom won in December shouldn't be freedom for an oligarchy to get rich at our expense.

[Arion] Do you see a solution?

[Mazilu] In my opinion the only solution is for the Romanian people themselves to decide their future. This can be achieved only if the present regime relinquishes its own interests. It must take a rational view of national leadership. We will not have genuine freedom and democracy in Romania until, as Balcescu said, those who govern the nation become its servants, not its exploiters. Consequently, we urgently need a radical change in our views and in our demands, in the expectations of the Romanian people from the governing team, who must become the servants that the nation needs.

[Arion] What does that mean?

[Mazilu] It means that upon entering the electoral campaign and winning a seat, all these people in government should inform the nation what economic plans they have, complete with concrete, verified, and verifiable data. Positions won under empty promises made to the people before an election should not be utilized as a jumping board to profit and to getting rich. For those reasons it is necessary, for example, that no person in government should be paid more than the average income in Romanian society; this is a tough but necessary request for the moral purification of Romanian society. Their salary shouldn't be any higher than that of the director of an economic enterprise. Of course, we all recognize that in modern society people in government

carry certain responsibilities. For example, protocol obligations: meetings abroad, contacts, discussions, which is only normal. For that, however, I think there should be a fund not at the disposal of every such person, but an expense fund approved by the nation, which should be used for all the dignitaries and approved by a commission for each individual action and publicly accounted for. Consequently, there must be a fund to allow people in government to carry out their mission, but not give them salaries humiliating to the Romanian people. You realize how the man in the street received that decree under which people in power were to receive, with the express approval of the Parliament, salaries five, seven, and 10 times higher than their own? People in government must serve their nation, they must assume an additional effort, a public labor. I need evidence to understand that they will indeed do so and I think that the material criterion can serve as the first such proof. Promises are of a relative value. When they leave their post, all leaders must present a public account of the incomes of their family members and all possible intermediaries. And when they sign a contract with economic implications, they must be obligated to publicly inform the nation about the contents of that contract. We should be told exactly who signed the contract, what the country stands to gain by it, and what gains it brings to certain people in government.

[Arion] What chance do you give yourself of returning to the top of the power pyramid?

[Mazilu] At present I propose to struggle against the evil I found exists now in the power apparatus. At some point I had decided not to get involved. And for a while I didn't. I thought, I hoped, that the current government will work to fulfill our objectives. During this time, however, I saw that the situation was deteriorating from one week to the next and from one month to the next, and that this Mafia that has established itself was becoming increasingly firm and was hitting increasingly hard. I came to the conclusion that I didn't have a right to stay away; that as long as I have something to say and as long as I see what is bad, I have a duty to report it to the public. I was involved in the events of December 1989 and I think that staying away is an act of betrayal of the cause of freedom and democracy in my country.

[Arion] What do you propose to do after your return?

[Mazilu] To contribute to change together with all the forces and to struggle to achieve a genuine, radical change not for the benefit of a clan or of some cliques of profiteers, but for the benefit of the Romanian people. Not for the benefit of some groups brought to this country to enslave us so that overnight we'll find ourselves strangers in our own country, but in order to win what Eminescu said: to win the status that the Romanian people deserve, that of being, feeling, and living as masters in their home and country. I am returning to the country's politics in order to say what I think; I hope I regained the right to say what I think after a revolution for which I paid in blood, because as you know, in

December I had my chest broken with a rifle butt, I was wounded. I came back in order to struggle together with all those who want to win, who are determined to win what we were denied for 45 years and what we are still denied after a revolution in which so many people died. I came back to my country and I am reentering the country's politics at the side of those among my compatriots who are determined to achieve change as soon as possible and to halt the grave, I would say extremely grave, tendencies we are now witnessing.

[Arion] In sum, what do you want?

[Mazilu] I want each one of us to have a chance at a better life. According to the Universal Human Rights Declaration, everyone has equal chances from birth to death, and we must provide guarantees that people can realize their chances. I want each citizen in this country to feel secure that if he works honestly and correctly, he will be protected. I want my efforts to contribute to a change apt to actually help everyone in the country. In the past few days people from various Bucharest enterprises came to see me and I talked to them. One of them was a worker, a father of four, who said to me: Mr. Mazilu, I never thought that after all the days and nights I spent in the cold that December, and in those dangerous moments I spent in Revolution Square, where I slept and from where I didn't budge, I should now be told that I didn't have a job. I never thought I would come to such a tragic moment in my life. This is the tragedy of one man, but there are already the tragedies of tens of thousands, and according to our data, soon more than 1 million people will be in a similar situation. We must improve the criteria and achieve a real economic efficiency, not mere talk, but facts. But in order to achieve that we must cross at least two essential points.

[Arion] What are they?

[Mazilu] First: The change must be correct and must take into consideration the interests and wishes of the people; people must get respect regardless of their position. Workers, apprentices, technicians, each person must be consulted in a democratic manner. We were told that we had to cross the desert. Let's cross the desert, all together, if we are at one with the Romanian people. We have to endure all the hardships together, then we will be able to understand them and realize the scope of the change and perhaps also the pain of the change. That is why I believe that my presence may help. I have something to say and I want to say it; I have something to do and I want to do it. It will undoubtedly be a mission of conscience. I don't want to be reproved in a few years time, when nothing or very little can be changed anymore. I don't have a right to allow the situation to progress toward such a moment of despair. I will do everything I can, so that together with my compatriots—telling them what I think—we can achieve the changes needed.

[Arion] In a few sentences please give us your opinion of the present president of the country.

[Mazilu] I knew Ion Iliescu before the December revolution. I have been repeatedly asked why I first agreed to cooperate with him, then distanced myself from him. I want to state that at the time of the revolution I personally had faith in Ion Iliescu.

[Arion] What were the reasons?

[Mazilu] I saw Ion Iliescu several times before the revolution, the last time about 1982 when I was a delegate to the "Law of the Sea" [Conference] and he was chairman of the National Council of Water. At the time he made some courageous, and I dare say responsible remarks about some megalomaniac projects to build canals, which he described as economically worthless; at the same time, he said that Ceausescu's tendency to build "matchboxes" ran counter to the normal course of European and world civilization. The second issue didn't have anything to do with my interests, but at the time it proved to me that Ion Iliescu had a critical view of the regime in power. It was an act of great courage. During the time we worked together, I worked well with him. I found nothing to criticize about him in that cooperation. And I cannot say that he didn't understand the suggestions I made for change, which we frequently planned together. But later I noticed some things that prompted me to distance myself from the current governing team.

[Arion] Which were?

[Mazilu] First there is the fact that Ion Iliescu is not determined enough, in other words, he doesn't have a resolute personality; he is very easily influenced, something that even he admitted. In a way, I would say he is the prisoner of extremely harmful influences; he doesn't have the courage to act and to take steps against the negative phenomena that I'm sure he sees, and that allows those phenomena to multiply and deepens the confusion existing in the country in the wake of the activities of a genuine Mafia. I was unpleasantly impressed by his tendency to report to the Soviet leadership about what we were doing or what we intended to do. I hold against him the idea to request the intervention of Soviet troops in the Romanian revolution, which I thought was a mistake, to say the least. I am convinced that the treaty with the Soviet Union was signed only because of that kind of attitude, as the treaty contains unacceptable clauses for the Romanians on both sides of the Prut river. Not counting the unjustified criticisms leveled at Ion Iliescu, I am convinced that he is not involved in the acts of corruption being practiced in Romania on an unprecedented scale. That is precisely why I don't understand why he is not combating them with all the firmness allowed him by the answers he now has.

**DELO Says Drnovsek Will Replace Rupel***92P20021A Ljubljana DELO in Slovene 4 Oct 91 p 1*

[Article by Veso Stojanov: "Will Dr. Drnovsek Be the New Foreign Policy Helmsman?"]

[Text] We learned today from well-informed circles which are close to the Slovene government and the state presidency that Foreign Minister Dr. Dimitrij Rupel's days are numbered. Our sources say that just yesterday morning, the president of the Slovene government, Lojze Peterle, visited the president of the Parliament, Dr. France Bucar, and informed him that on that same day the former member of the Yugoslav presidency, Dr. Janez Drnovsek, accepted his offer to assume the position of Slovene foreign minister.

As we know, a while back, Lojze Peterle recommended Janes Drnovsek for the position of vice president in the Slovene government, with responsibility for international relations. Dr. Drnovsek turned down the offer at that time but perhaps he accepted it yesterday in order to occupy Rupel's seat. We learned that the Slovene prime minister intends to propose this change in the government at the end of the congress of the Slovene Democratic Alliance [SDZ] which will be held on 12 and 13 October. Now it is quite clear that Dr. Rupel's movement will lose at the congress and Dr. Rupel will lose his support in the party. Of course, Lojze Peterle will get control of the conservative wing at the congress just as he did in the SDZ, which will lead to continuing conflicts between Peterle and Rupel, and, as a result, the president of the government will get the support.

According to what we know, the DEMOS hard core looks favorably upon the replacement of Dr. Rupel and the expected resolution of the disputes in the SDZ, but some people told us, and some people have stated publicly, that the DEMOS will have to deal with critics in their own ranks. The matter of Dr. Janez Drnovsek is quite clear! As of 7 October he will be out of his job in Belgrade and the position of Slovene foreign minister would be a rather good substitute for it.

**Degoricija on HDZ Crisis, Wrong Defense Policy***92BA0017A Zagreb GLOBUS in Serbo-Croatian 13 Sep 91 pp 8-9*

[Interview with Slavko Degoricija, chairman of the Executive Committee of the Croatian Democratic Community and former Croatian deputy minister of internal affairs, by Davor Butkovic; place and date not given: "Croatia Is in an Espionage Network"]

[Text] The new chairman of the Executive Committee of the Croatian Democratic Community [HDZ] has already held that position once. Aside from that, during the past year Slavko Degoricija has also been deputy minister of internal affairs, president of the Chamber of Opstinas (until he moved over to the MUP [Ministry of Internal Affairs]), and he is still a member of the Supreme

Council of State. At one time, they referred to him in VJESNIK as the second most powerful man in Croatia, which even today—after he has left the police—is not altogether inaccurate.

Slavko Degoricija is the only "old" HDZ-ite—not counting President Tudjman and his closest collaborators, Mesic and Manolic—who has managed to win all the political battles, who has withstood specific and unpleasant public criticism without major problems, and still, following all the upheavals and changes in the government administration and party hierarchy, has retained immense influence. Incidentally, some of the most important posts in the new government are held by people that one can confidently say are there by Degoricija's choosing.

[Butkovic] Why did you leave the police?

[Degoricija] This was a normal matter of personnel. It was felt that I was needed more in the HDZ, and I accepted that. That is, when the government was reshuffled, when the democratic unity government was born, I had some demands and plans of my own which were in part respected. It is important to emphasize that one of my conditions when I went to the MUP was that I would remain in that position temporarily, by no means very long.

[Butkovic] Might it be said that your departure from the MUP signifies symbolically that the time for negotiations has come to an end?

[Degoricija] There have been a multitude of free interpretations from both journalists and certain politicians related to my alleged status of negotiator, and that is equated with my work duties in the Ministry. Because I took part in the negotiations in Lika, Banija, Slavonia, etc., on the basis of specific tasks I was given by agreement, stories are spun about me as some peace-maker by conviction. The same things were also said when I came to the Ministry of Internal Affairs. I came to the MUP on the basis of a decision of the republic's Supreme Command, at a time when that post was vacant, that is, when Perica Juric withdrew into the HDZ.

Although I never had any particular affinity for the police, I accepted that task as a temporary solution, but under the condition that Mr. Boljkovac would stay on as minister. I was acquainted with Boljkovac and I thought that we would make a good team together. As it turned out, Mr. Boljkovac withdrew from the post, Cvitan came, and that was the reason for my request to be relieved of my duties in the Ministry.

[Butkovic] The departure of Minister Boljkovac has never been fully explained to the public.

[Degoricija] One segment of the political public had quite a bit of criticism concerning the work of the MUP, which at that time was the only armed force defending Croatia against attacks as well as it could. Even then, just

like today for that matter, certain individuals and groups have been demanding a fierce and final showdown with the rebels and have been proposing frontal warfare should the Army step in. What they forgot is that the decision was always in the domain of the Supreme Command, not the Ministry of Internal Affairs, regardless of what decision was involved.

[Butkovic] Was the MUP sufficiently strong to settle accounts with the rebels at that time when the Army was still not directly involved?

[Degoricija] No, because the Army has been involved from the very outset of the armed rebellion, which began 17 August 1990 in Knin. Our three helicopters were sent back by force and under threat of fire from the JNA [Yugoslav People's Army], and since that time Army interference in performance of particular activities of the MUP against the rebels has escalated almost daily. For example, when our unit for special purposes disarmed the rebels in Pakrac, the Army immediately intervened with 10 tanks and several personnel carriers, which set themselves up in front of the MUP units. Had our police decided to carry out a complete mopping up of the field, that is, not only in Pakrac, but also in the vicinity of Pakrac, there certainly would have been a direct conflict.

We can say that a direct conflict did not occur because we respected the so-called buffer zone set up by the Army, which was nothing other than an obstacle to all activities of the MUP.

[Butkovic] At the time when you came to the Ministry was there precise information about the number of rebels?

[Degoricija] MUP departments, both then and today, possess information on the actual status of the forces taking part in the armed rebellion in all the crisis areas. You see, the MUP is a firm and highly professional organization, with certain minor weaknesses, but I assert with full responsibility that the assessments of the ministry concerning the strength of the opponent were reliable and that so far we have not been wrong in those assessments. It is another matter that certain politicians have not honored our assessments.

[Butkovic] You say that the MUP is a firm organization, but "moles" in the MUP and even policemen who have gone over to the side of the rebels are frequently mentioned in public, and also among certain politicians.

[Degoricija] In the crisis areas, the policemen in the MUP were almost exclusively Serbs. That is no secret. Those police forces simply went over to the other side.

Very few people have left the Zagreb MUP, some of them retired, some quit.

There is much talk about "moles," spies, counterspies on Croatian territory. Today in the world and in our country there are immense technical capabilities for monitoring and eavesdropping.

The space of Croatia is actually occupied by an immense number of spies working for various services. They have infiltrated the journalists, the politicians, business executives, and so on. In view of the space we occupy, the events, the interests of various countries and groupings of countries, in Croatia today there is a powerful espionage network. It is difficult to monitor those activities and protect ourselves from the espionage of "moles," but I say that given the size of the espionage network aimed at Yugoslavia, we are still doing quite well in handling that intelligence activity.

[Butkovic] Have you identified and arrested the people engaged in espionage?

[Degoricija] Better that we let that remain a police secret.

[Butkovic] Why have all the negotiations with the rebellious Serbs in Croatia fallen through?

[Degoricija] The negotiations make no sense if the negotiators are indoctrinated by Milosevic. Some Serbs from Slavonia were presented to us as an autonomous group of negotiators who wanted to resolve disagreements between the Croatian state and the Serbian people in Croatia by agreement. But as the negotiations proceeded, a line close to Martić's and Babić's policy became stronger and stronger, that is, the militant line, which unfortunately has recently prevailed.

[Butkovic] What is the mood in the HDZ now? Is the pressure of the so-called radicals slacking off?

[Degoricija] After election of the new government, many people in the HDZ were asking whether we needed all that, whether we needed to accept a de facto coalition government? There is nothing bad about our sharing power with the other parties now. Everything actually depends on whether the representatives of the government conduct its policy consistently or the interests of the parties they come from will be more important to them? The more independent they are in the work of the government, the greater the prospects for the government's success, and vice versa.

Some politicians in the opposition parties are trying to apply the principle of creating a coalition government where there is no place for it. Individuals say that the executive councils of the općinas are local governments, which is inaccurate, because the executive council of the opština is subordinate to the opština assembly. This tendency of devolving some kind of local coalition governments to the executive council of the opština threatens the activity of local governments and the administrative agencies and the democratic unity government.

[Butkovic] Is it true that representatives of the opposition in the government are dissatisfied with its work and with their inability to have an influence in the government?

[Degoricija] Although there are difficulties, they are not disturbing at present.

[Butkovic] What is the relation between the Zagreb HDZ and the Osijek HDZ and Mr. Glavas?

[Degoricija] I know of no very serious disagreements between Mr. Glavas and the HDZ or between Glavas and the MUP; incidentally, he does not work in the MUP. He obviously has certain organizational abilities and is attractive to the media because he excels at certain activities related to military actions.

[Butkovic] Are preparations being made, as has been announced several times, for transformation of the HDZ, as was proposed six months ago, for example, by Mr. Seks, who envisaged that in the future the HDZ would function along principles of activity similar to the American parties?

[Degoricija] The HDZ was established two years ago, in peacetime, while today we live under wartime conditions, which inevitably bring new political elements onto the Croatian political scene.

Although we do not know when the new elections will be held, whether in half a year, a year, or two years, it is clear to us even now that those elections will demand altogether different methods and content in the work of the party in power in the fight to win voters over, i.e., to win power once again.

We can say that the struggle for the voters has already begun as far as certain parties are concerned.

I do not anticipate any serious, large-scale transformation of the HDZ. There will be certain improvements in the activity of the party's official bodies—the Presidency, the Executive Committee, the Main Committee, the Central Committee, the opstina committees, and local chapters. Amended bylaws of the HDZ are being written and worked out at the moment, and after that a programmatic declaration will probably be adopted. However, aside from those and similar changes, I do not anticipate any significant undertakings in the organization of the HDZ in the near future.

[Butkovic] Until some time ago, immense political power was concentrated at the heart of the HDZ. It seems that today the situation is different, and some of this is coming from the dissatisfaction of certain groups within the HDZ.

[Degoricija] When the HDZ entered the fight in the elections, all our activities originated in the Central Committee. It can actually be said that everything spread out to the lower structures from the Central Committee. Today, we have the opposite process. The life and work of the party in power are in the local chapters, the opstina committees, while the party's basic policy is established in the Executive Committee and Central Committee of the HDZ. A year ago, a local chapter of the HDZ turned to the Executive Committee for every little thing. This has fortunately changed.

All the local chapters in the city of Zagreb are in good communication with the city committee, and many party affairs are settled at that level.

[Butkovic] Who actually is in command of Croatian defense, and can you explain the powers and jurisdiction of the MUP and the Ministry of Defense of Croatia?

[Degoricija] Coordination exists between the Ministry of Internal Affairs and the Ministry of Defense.

The National Guard Corps [ZNG] is a part of the MUP. Conventional police forces are doing their so-called regular police work, while members of the Guards are training for direct skirmishes with the rebels and terrorists.

It often seems to the public that these are two separate commands. However, there is only one command and two different tasks. The task of the conventional police forces is to establish peace and order in a space which is being defended or liberated from the terrorists, while the Guards are the first to go in and "mop up" the terrain, to capture and to attack. That is, it is the backbone of armed actions.

The special-purpose units take part in actions together with the Guards.

[Butkovic] Does this mean that the "commander in chief" for both the Guards and the special-purpose units is Minister Vekic, not Defense Minister Bebic?

[Degoricija] Actually, the commanders of the particular units, who get the guidelines on tasks from central headquarters explaining what the purpose of some action is, are the commanders in chief. An agreement is reached on this in the ministries, that is, in the Croatian command.

[Butkovic] Why did Baranja fall so quickly?

[Degoricija] The assessment of the situation of persons who were in the local government in Baranja was erroneous. They insisted that no sizable or significant forces of the MUP and National Guard Corps be created in Baranja. They said that interethnic tolerance was tolerable, even good, and that stability of relations in those areas would be maintained. They did not wish to even examine the possibility of the militant segment of Serbs from Serbia, Osijek, Vukovar, and other regions attempting to disrupt that stability.

When the first major trouble occurred, those representatives of local authority in Baranja immediately submitted their resignations, the SDP [Democratic Reform Party] was in power there, and they left all the other forces in that area in a bind. A chaotic situation ensued in Baranja which the militant Serbs from outside Croatia knew how to take advantage of.

[Butkovic] Have the Guards been able, in terms of equipment and numbers, to hold yet another front that broad?

[Degoricija] Sufficient forces could have been organized to defend Baranja against the aggressor who carried out an attack on those areas. This probably would have forced the aggressor to augment his own armed forces. And here the Army has been the shield of the Serbian conquerors, it has gone out in front of them, helping that space to be captured.

It is good that some of the refugees from those areas have been organized into units for the liberation of Baranja. It is only a matter of days before those units will set out to liberate Baranja.

### **Serbs, Montenegrins Protest Macedonian Constitution**

92BA0026B Belgrade POLITIKA in Serbo-Croatian  
26 Sep 91 p 17

[Article by M.K.: "Serbs and Montenegrins Omitted From the New Macedonian Constitution"]

[Text] Skoplje, 25 Sep—The Party of Yugoslavs in Macedonia takes the view that Serbs and Montenegrins, who together are the third most numerous ethnic population—after the Macedonians and Shqipetars—have been unjustifiably omitted from the preamble of the new draft of the Constitution of the Republic of Macedonia.

This is one of the points emphasized in the proposals and criticisms which the party has sent in writing to the Constitutional Commission of the Macedonian Assembly.

The Party of Yugoslavs in Macedonia also criticizes the hesitation of the competent republic authorities to publish the most recent figures on the ethnic composition of the population on the basis of this year's census. It also demands that in addition to the ethnicon "Turks," the preamble of the Constitution also include the ethnicon "Serbs and Montenegrins."

"The Party of Yugoslavs particularly criticizes the commitment of the proponents of the new Macedonian Constitution to the effect that 'the sovereignty of the Republic of Macedonia is untransferable,' which is contrary to the decision in the referendum which established the 'right of the Republic of Macedonia to enter into an alliance of sovereign Yugoslav states,' which also means the right to transfer a part of the sovereignty of Macedonia to Yugoslavia."

### **Croatian Justice Minister's Appeal to JNA**

92BA0026A Zagreb VJESNIK in Serbo-Croatian  
22 Sep 91 p 3

[Report from HINA, Zagreb: "If You Have Not Bloodied Your Hands"]

[Text] Bosiljko Misetic, minister of justice and administration of the Republic of Croatia, on Friday issued a proclamation and appeal to officers of the occupying army that in part reads as follows:

"You know very well that the war in Croatia is approaching an outcome in which the occupying enemy cannot win, just as it has never won anywhere in the world. The occupying army to which you belong will also fail, and you will be responsible for its crimes. Responsible not only for what you have done to Croatia as occupying officers, but also for what you refuse to do on behalf of peace, when you could have saved the unarmed population, churches, and monuments, the innocent and helpless.

"WAR CRIMES: You know very well that the army to which you belong long ago went against all the documents defining war crimes. And you also know that there is no statute of limitations on war crimes.

"If you yourself have bloodied your hands, as have your generals who are giving you orders and conducting a policy of a continuous coup d'etat in the country, to the end of your life you will no longer have the right to peace and the everyday life of a citizen, a clear conscience, and the honor of an officer.

"If you have personally bloodied your hands, as your generals—Adzic, Kadijevic, Avramovic, Raseta—have already bloodied theirs, you no longer have a future.

"You will have to forget that you were an officer, that you had people close to you, that you were someone's son, husband, brother, or father. Your closest ones have already sent a public message to this effect to some of you.

"You will be marked by only one thing, a shameful attribute: war criminal.

"Gentlemen officers, you who have not bloodied your hands:

"The 12th hour on 18 September 1991 divides you into criminals and honorable men. This is your last chance to preserve your honor from the generals who are forcing you to commit crimes.

"In the name of all of you, the Army has given its word that it will withdraw into garrisons and will no longer commit crimes. It is up to you to keep that word.

"Leave the occupying army immediately. The Republic of Croatia will accept you, honoring all obligations, regardless of your nationality. Both you and your dearest ones. If you are a Serb, Montenegrin, Muslim, or any other nationality, you need not hesitate. Serbs and Montenegrins and Muslims, just like Croats, have a lengthy tradition of military honor which does not permit the crimes of occupiers being committed by your army. You do not have the right to sully that tradition.

"Time has run out. The crimes will be punished. The entire world will prosecute them and you will never be able to escape the punishment you deserve. You will be able to seek mercy only from God."

**Dilemmas, Current Status of Yugoslav Army**

92BA0026C Belgrade POLITIKA in Serbo-Croatian  
26 Sep 91 p 9

[Article by Miroslav Lazanski: "The Army at the Time of the Truce: It Cannot Go on This Way"]

[Text] How do you wage war when you believe you are not at war? For that matter, how do you fight when you do not have broad support behind you? Perhaps those are the two largest and most crucial dilemmas which are simply blocking the activity of the JNA [Yugoslav People's Army] in the present events on the territory of Croatia.

After all, the facts are inexorable: The state of Yugoslavia does not exist over its entire space, and there is least of it precisely in Croatia. As for the people who are supposed to replenish the ranks of the JNA, here again things are not exactly splendid. Some have lined up against the JNA, others are hesitating and hindering the mobilization. The Army does, of course, have sufficient human resources on which it can rely, but time is not on its side. The profound ethnic stratification in the country has inevitably had an impact on the officer corps of the JNA as well. Whereas this Army is still federal in its composition and character, unless something is done quickly, this will certainly be in question after a time. But if this is the track of history and reality, if that is how others wanted it, then that is how it will be.

At this moment, the regular personnel of the JNA still has 50 percent of the Slovene officers it once had and about 5,000 officers who are Croats. The Army is still Yugoslav, because there are also Albanians, Hungarians, Muslims, Macedonians, Serbs, Montenegrins...in its makeup. In the Navy, about 80 percent of the officers holding command positions in institutions and on warships were Slovenes and Croats. The departure of some of them, treason, faintheartedness, and cowardice have certainly created problems for the Navy, but the fleet and other structures of the Navy are holding out well on the whole.

**The Situation in the Navy and Air Force**

The Air Force and Air Defense also has lost some of its personnel for the same reasons as the ground forces and Navy. The Yugoslav Air Force has about 500 warplanes; it is true that they are not all top-flight, but they are quite good for what is happening in the country. Planes like the "Galeb" and "Jastreb" are unable to carry a heavy payload, they are sensitive to hits from the ground, but if you wonder why they have been the backbone of the striking force for a long time, you will have to ask the generals who have designed this air force and the politicians who did not give them money. After all, it is one thing to have airplanes that carry less than 500 kg of bombs and missiles, and something else to have an aircraft that carries up to 5,000 or 6,000 kg. The Yugoslav Air Force has in recent days been operating rather effectively, although there have been mistakes with

tragic consequences for which the pilots are the least to blame. It is a fact that similar things occur in all wars and that the American pilots in the Gulf war killed more of their own soldiers in the sands of Saudi Arabia than were killed by the Iraqis. And all of this when the visibility was excellent (sand with no vegetation), information connections were excellent, and the technical capabilities were extraordinary. Mistakes are an everyday occurrence in warfare.

The operations of the JNA ground forces in the period so far show the psychological problems of officers to look upon the conflicts as real war, although they and their soldiers are being fired on by every kind of weapon. It is well known, of course, that in that quandary over defining the state of affairs, when someone is pouring 500 shells on you every day, officers in the lower ranks do not bear the main responsibility. The fact that the captains, majors, and lieutenant colonels hesitate to open full fire on "their own people" is the result of the development of the JNA over many years in keeping with the conception of relying on that same population. The Army has built water supply lines for itself and for the people, never thinking that one day the people would close the valves.

Most of the JNA garrisons were in cities, again in keeping with the conception of the people supporting its army. Only the smaller garrisons were in the interior, along with storage facilities. Nowhere in the world in modern armies are the garrisons in the cities. Who has ever seen a garrison in Manhattan? But, to be honest, until a few days ago all of that seemed logical and normal to us and in keeping with the current defense doctrine. Until the events in Slovenia, no one could have anticipated that. But after the collapse in Slovenia, the scenario could not be repeated in Croatia. The smaller stores of weapons and ammunition had to be evacuated and moved to safer regions. The larger storage facilities could not remain without strong security. How could they have allowed the Navy storage facility at Zrnovnica, where surface-to-surface missiles are stored, to fall, so it appears, into the hands of Croatia's paramilitary formations? Why were the stores not moved from the region of the Varazdin Corps? There was time—either to move them or to defend and support that corps more determinedly. How could freight trains carrying heavy combat equipment "get lost" at stations in Slovenia and stolen, and the breechblocks were not even removed?

**The Numerical Balance of Power**

One can understand and accept that maneuvering has been difficult for JNA units on the territory of Croatia, that small stores and garrisons have difficulty withstanding the pressure and attacks of entire brigades of the MUP [Ministry of Internal Affairs] and the National Guard Corps. JNA soldiers and officers, in formations ranging between 50 and 60 men, are being assaulted by paramilitary formations with between 2,000 and 3,000 members with excellent weapons and indoctrinated with

propaganda. The numerical balance of power is absolutely on the side of the armed formations of Croatia. For that matter, the leadership of that republic began to assault the JNA at precisely a time when one draft of soldiers was leaving the JNA and the new recruits, still untrained soldiers, were just reaching the garrisons. The moment of the attack on the JNA was not chosen at random. But that should have been taken into account and Yugoslavia's wartime army mobilized in good time and given a clear and specific task: defend the country.

It is not permissible to mobilize the reservists three times and for them then to go through New Belgrade with all the publicity and enthusiasm both day and night, in long convoys cheered by the population, and then to halt 50 km from Belgrade and vegetate there in the cornfields. No army in the world can tolerate inactivity for very long in wartime, it cannot take the blows very long without returning them fully and determinately.

The nightmare around Vukovar is obvious proof that the objectives are not clear and the missions still less. Even back in World War II, towns which could not be taken immediately were surrounded and bypassed and the advance continued.

We still have not been witnesses of a single major operation carried out effectively by the ground forces except establishment of the buffer zone and the advance of the Knin Corps, which has been compelled to hold a front 150 km long and a line of combat operations all of

210 km long. In wartime, such a line is usually held by armies or even groups of armies. Those in charge know the answer as to why this is so. There is also a maritime route for reinforcements to reach the Knin Corps, they do not always have to cross Bosnia-Herzegovina. The Navy has not yet had an occasion to operate very decisively. Nor the JNA ground forces, which have more than 2,000 tanks.

Time is passing swiftly, and the armed formations of Croatia have captured or stolen weapons from arsenals of the JNA so that now they can arm another five or six divisions. Weapons are still arriving from abroad, Yugoslavia's border on the north does not exist. Recruits from Macedonia, it is announced, will no longer go to the JNA, in Bosnia-Herzegovina they are preparing something similar, and in Serbia the reservists are also asking awkward questions.

There is still treason in the JNA, the question is whether it will all end just with the cases so far? The truce is not complete, it is uncertain how long it will last, and statements are still coming from the JNA "that the Army opposes resolving the issue by force and that nothing can be decided by force." It turns out that the JNA is almost the only "angel of peace" in Yugoslavia, when all others favor war. Perhaps some malicious person will put the question: Why was this army trained, and is there an army anywhere in the world which absolutely refuses to use its force to the fullest even where the philosophy of its bare existence is inexorably forcing it to?

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